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| Bahrain | Din0.700 | Iran | [illegible] | Philippines | Pesos40 |
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| Cyprus | C£0.90 | Italy | L1700 | Qatar | Qr9.00 |
| Denmark | DKr10.00 | Jordan | [illegible] | S Arabia | [illegible] |
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| Germany | DM2.20 | Malaysia | Rlo4.25 | Switz | SFr2.40 |
| Greece | Dr120 | Morocco | Dh6.00 | Thailand | B60 |
| Hong Kong | HK$12 | Neth | Fl3.00 | Tunisia | Din0.800 |
| Iceland | Ikr120 | Nigeria | Naira10 | Turkey | L800 |
| India | Rup15 | Norway | NKr10.00 | UAE | Dh7.00 |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

No.30,857 — Thursday June 1 1989 — D 8523A


**BRITAIN**

**Blue mood over the City of London**

Page 10

## World News

### Lagos reports five dead as rioters storm barracks

Student-led protests against the Nigerian Government'a economic reforms erupted on the streets of the capital, Lagos. Reports said five men died when police opened fire as thousands of demonstrators attempted to storm a police station and barracks. Page 4

**Cambodia arms call**

In a significant policy shift the Bush Administration intends to seek congressional support for supplying rifles and other light arms to the non-Communist resistance in Cambodia. Page 6

**Argentine pact**

President Raul Alfonsin and president-elect Carlos Menem of the opposition Peronist Party yesterday signed an 11-point accord aimed at tackling Argentina's political and financial crisis. Page 20

**Pozsgay victory**

Imre Pozsgay, leader of the Hungarian Communist Party's reformist wing, won an important victory in his bid to bring democracy to the party and to oust the increasingly unpopular Karoly Grosz as General Secretary. Page 3

**Death sparks strike**

The suicide of a worker at the South Korean shipyard owned by the Daewoo Group has sparked a strike threat and may put a Government rescue plan for the yard in jeopardy. Page 4

**Solidarity in print**

The Solidarity newspaper Tygodnik Solidarnosc rolled off the presses for the first time since it was suppressed by Poland's communist authorities in 1981.

**'Frankfurt' bomb**

Scottish police were convinced the bomb that blew up Pan Am Flight 103 over Lockerbie, Scotland, was put on board the plane at Frankfurt Airport, Britain's BBC television said.

**EC drug prices**

Startling differences in the prices of basic drugs across Europe were revealed by BEUC, the union of European Community consumers' organisations. Page 2

**Polish forecast**

Warsaw, the Polish capital, is set to vote against some of the country's top party and government officials standing for parliament in elections according to an independent public opinion poll. Page 2

**Khashoggi request**

The US formally asked Switzerland to extradite Saudi Arabian millionaire Adnan Khashoggi to face fraud charges over dealings with ousted Philippines president Ferdinand Marcos. Page 6

**$27m drugs haul**

Spanish police said they had seized heroin in Madrid worth an estimated $27m.

**Single market talks**

US and EC officials are to meet in Brussels to iron out technical regulations and industrial standards for US products in 1992. Page 8

**US visa move**

The US is extending a programme allowing certain foreign visitors into the country without a visa to include France, the Netherlands, Sweden and Switzerland.

## Business Summary

### State aid to Alfa Romeo blocked by Brussels

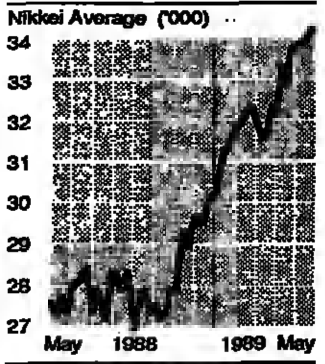
The European Commission confirmed that the Italian Government must reclaim L615bn (£423m) illicitly paid to Alfa Romeo, the largest state subsidy of its kind overturned by the Brussels authorities.

Sir Leon Brittan, Commissioner for competition policy, promised a continued crackdown against state aid not cleared by the Commission. Page 20

TOKYO: The Nikkei average reached a new high for the year on significantly improved

**Japan**

Nikkei Average ('000)




turnover rising 189.86 to close at 34,266.75. The day's high was 34,268.71 and the low 34,004.90. Markets, Section II

SAAB-SCANIA, Swedish motor, aerospace and arms company, is preparing an emergency rationalisation to stem mounting losses in its car division. Page 21

BMW, West German car manufacturer, announced an upbeat progress report with botb production and sales expanding by more than a fifth. Page 21

TRELLEBORG, Swedish industrial group with interests in mining, metals, plastics, rubber and chemicals, announced a 63 per cent increase in profits. Page 22

RENAULT Automation, robotics and industrial automation subsidiary of the French state owned Renault car group, is staking its European development on a series of agreements with other leading factory automation groups in Europe. Page 24

VEBA, acquisitive West German energy and chemicals group, expects further record results this year after a buoyant 1989 start marked by a 22 per cent increase in first-quarter after-tax profits to DM225m ($112m). Page 22

NORSK HYDRO, Norway's largest publicly quoted company, bought an 11.9 per cent stake in Calgary-based Ranger Oil for C$72.5m. Page 24

MANNESMANN, West German diversified steel and engineering concern, reports a 25 per cent increase in new orders for the first quarter of this year. Page 22

HUDSON'S BAY Company, Canada's largest merchandiser, continued its turnround in the first quarter this year and expects to maintain the improvement through fiscal 1990, Page 24

FRANCE's foreign trade deficit widened to FFr3.8bn ($565m) in April, after two months of modest deficits had encouraged hopes of a revival in French trading performance. Page 3

BALOISE, Swiss insurance group, is to raise up to SFr175m ($100m) by a one-for-four righte issue and create sdditional voting and non-voting shares without drawing rights. Page 22

ROBERT Maxwell, British publisher, accelerated his move out of printing by announcing that his UK quoted company Maxwell Communication Corporation was selling its newspaper printing subsidiary to Mirror Group Newspapers, a private company. Page 21

# Bush calls for end to all European political barriers

By Peter Riddell, US Editor, in Mainz

US PRESIDENT George Bush yesterday sought to build on the new unity of the Western alliance by appealing for an end to divisions within Europe, starting with the destruction of the Berlin Wall.

On the theme of "let Europe be whole and free," Mr Bush outlined a detailed plan for healing Europa'a divisions, seeking self-determination and encouraging democracy.

On the sixth day of his European tour – just before be flew to London – Mr Bush spoke in Mainz, beside the Rhine in the home state of Chancellor Helmut Kohl of West Germany, who sat beside him.

The most widely applauded section of his speech was when he pledged that "just as the barriers (barbed wire and minefields with Anstria) are coming down in Hungary, so they must fall throughout Eastern Europe. Let Berlin be next."

Promising to continue the 1987 allied initiative to increase access between both sides of the city, he proposed making "all Berlin e centre of commerce between East and West – a place of co-operation, not a point of confrontation."

The Berlin initiative, launched by former President Ronald Reagan in June 1987 and backed by the French, British and West German Governments, rests on the basis that there will be no change in the status of the city, but that there should be limited, practical steps to improve the lives of Berliners such as more frequent cross-border contacts.

With an eye on his visits to Poland and Hungary in mid-July, the President said the US proposed to "strengthen and broaden the Helsinki process to promote free elections and political pluralism in Western Europe."

"In particular, the great political parties of the west must aasume an historic responsibility – to lend counsel and support to those brave men and women who are trying to form the first truly representetive political parties in the East, to advance freedom and democracy, to part the Iron Curtain."

Mr Bush did not spell out details, but the US Government-backed National Endowment for Democracy in Washington has already become involved in encouraging the new political parties in Hungary, while US help has been offered to the independent Solidarity movement in Poland.

As a further part of his plan, Mr Bush said the US and Western Enrope must work together on environmental problems, extending e hand to the east. The west could offer technical training, assitance in drafting laws and regulations, and new technologies for tackling these problems.

In appealing for less militarised Europe, Mr Bush said that recent encouraging steps by the Soviet Union on conventional forces had "produced the opportunity for creative and decisive action. We shall not let it pass."

White House officials said yesterday that the domestic political response in the US to Mr Bush's new plan had been "unanimons, (and) very encouraging," according to reports from Mr Lee Atwater, the chairman of the Republican National Committee. This includes conservative groups which have previously been sceptical about arms control moves.

After the Nato summit, Mr Bush is seeking to challenge the Soviet bloc to respond, not only over arms control but also over changes in its economic and political structure.

Pledging that be would do all he could as president to open the closed societies of the eastern hloc, Mr Bush said when he visited Poland and Hungary he would be delivering the message that "there cannot be a common European home until all within are free to move from room to room."

● Mr Eduard Shevardnadze, Soviet Foreign Minister, said yesterday that he was "disappointed" with Nato'a conditions for opening short-range nnclear arms talks and called for them to be held in parallel with, rather than after, negotiations on conventional weapons.

He also said Mr Bush's proposal for cutting US and Soviet troops in Europe to 275,000 each was complicated by the presence in West Germany of 100,000 UK and French troops.

Background, Page 2; Bush to seek arms for Cambodia, Page 6

Sousuke Uno: seen as being untainted by scandal

# Uno chosen to take over from Takeshita

By Stefan Wagstyl in Tokyo

LEADERS of Japan's ruling Liberal Democratic Party yesterday chose Mr Sousuke Uno, 66, presently Foreign Minister, to succeed Mr Noboru Takeshita as Prime Minister.

It is hoped that the decision will end the turmoil caused by Mr Takeshita's announcement e month ago that he would resign to take responsibility for the Recruit affair.

Mr Uno, in Paris to attend the annual meeting of the Organisation for Economic Co-operation and Development, is dne to return to Tokyo today.

The LDP is expected to approve formally Mr Unn'a eppointment as party president on Friday, the day the Diet (Parliament) is expected to confirm his selection as Prime Minister.

Mr Uno comes to office during the most serious crisis to hit the LDP since it took power more than 30 years ago. He will face the task of rebuilding popular confidence in the party after the damage caused by the involvement of senior party members in the Recruit scandal.

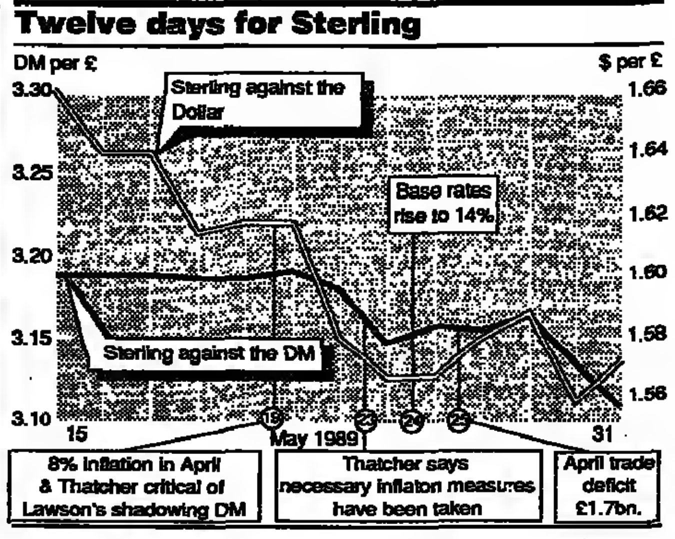
His first test will be to prepare the party for elections to the Diet's upper House, due at the end of July.

Mr Uno was not a unanimous choice. Party leaders would have preferred Mr Masayoshi Ito, a 71-year-old elder statesman with a reputation for heing untainted by scandal. But Mr Ito demanded radical political reforms of a kind which party leaders, including Mr Takeshita, considered too drastic.

The choice of Mr Uno reflects his similarly clean reputation, although he was

Continued on Page 20

**Twelve days for Sterling**




# Fall of sterling raises fears over economic policy

By Simon Hnlberton and Philip Stephens in London

THE POUND yesterday fell to its lowest level against the D-Mark for more than a year as concerns began to be voiced in the City of London over the coherence of Government policy.

Uncertainty mounted after media reports that the Government was prepared to introduce new measures to support sterling and restrain the growth of credit in the economy. The Treasury denied the reports which, along with rumours of the resignation of Mr Nigel Lawson, the Chancellor of the Exchequer, it described as "rubbish."

The pound's fall brought renewed speculation that the Government might be forced again to raise interest rates to defend the carrency. The Chancellor, however, faces strong political pressure to avoid a further rise, following last week's increase to 14 per cent.

It also added to concern that the divisions over exchange rate policy during the last 18 months between Mrs Margaret Thatcher, the Prime Minister, and Mr Lawson were seriously undermining the Government's credihility in financial markets.

The dollar also fell in currency market trading, continning its weak trend in the Far East. The US currency was knocked lower by the result of a weekly money market operation by the Bundesbank, the West German central bank, which saw short-term West German interest rates rise above the level of official rate. This raised speculation that the Bundesbank's policy-making council may sanction a rise in official German interest rates when it meets today.

The renewed strength of the D-Mark, however, added to downward pressure on the pound and cancelled out a rise of 1.4 cents against the dollar. The pound lost 2½ pfennigs to close at DM3.1075.

On the Bank of England's trade-weighted sterling index, which measures the pound's value in terms of a basket of currencies, the pound lost 0.2 to close at 92.3. This takes the pound's fall to 1.1 in just two days and has raised the prospect that interest rates may again have to be increased to support the currency.

Some UK analysts say the problems of the pound go deeper and raise questions about whether another rise in rates would be enough to make market sentiment more favourable. Mr John Shepperd, economist at Warburg Securities, said: "No one knows what Mr Lawson is trying to do at the moment. There is a feeling that be has lost his way and that the Government is not the power bouse it once was."

Whitehall officials were yesterday dismissing suggestions that the Prime Minister and Mr Lawson were still at odds over economic strategy. The official message is that both are convinced that the over-riding priority is to achieve a sharp fall in the inflation rate

Privately, bowever, there is acknowledgement among senior ministers' that their differences over exchange rate policy – and full British membership of the European Monetary System – do put a strain on their relationship.

Fatal lure of sterling gimmicks, Page 18; Lex, Page 20; Markets, Currencies, Section II

# OECD attacks US trade move

By Peter Norman, Economics Correspondent, in Paris

THE US yesterday found itself at loggerheads with its leading industrialised trading partners over key issues of trade and economic policy.

On the first day of the annual meeting of ministers from the Organisation for Economic Co-operation and Development in Paris, Japan and the European Community joined in sharply criticising the US for using the Super 301 provisions of the 1988 trade act to resolve trade disputes.

At the same time, Mr Nicholas Brady, the US Treasury Secretary, gave a clear signal to Japan and West Germany that Washington did not want to see any increase in their interest rates.

Dislike of the dollar's present strength was one of the few issues on which the 24 OECD member states could agree. Mr Brady spoke for all when he said: "The dollar's recent rise against other major currencies is a matter for concern." However, there was no agreement on what to do about it.

The meeting saw some straight talking, with yesterday's lunch turning into a protracted and ultimately unsuccessful negotiating session on the trade policy aspects of the final communiqué, due later today.

In contrast with OECD gatherings in previous years, however, there appeared to be no acrimony.

Mr Sousuke Uno, Japanese Foreign Minister and prime minister designate, said last week's US decision to brand certain trading practices of Japan, Brazil and India as unfair under the so-called Super 301 provisions was "a threat to the open multilateral trading system and as such can never be admitted."

Continued on Page 20
Background, Page 3

# UK may ask China to amend proposals in Hong Kong law

By John Elliott in Hong Kong and Colina MacDougall in London

THE UK Government is expected to ask China to amend proposals which would allow Peking to declare martial law in Hong Kong after the British colony reverts to Chinese sovereignty in 1997.

This is the first example of the political crisis in China affecting preparations for the 1997 handover. It could provide a key test of China's willingness to treat Hong Kong as a special case.

The Foreign Office in London was not prepared to comment on British plans yesterday, but it is clear that the recent huge demonstrations in Hong Kong in support of Peking's students have sharpened the UK Government's awareness of the issue.

The question of safeguards in the Basic Law, the mini-constitution currently being drafted by a team drawn from both China and Hong Kong, is being closely scrutinised in the light of current instability in China.

Both the British and Hong Kong Governments have so far maintained that the colony's future after 1997 was secure since China's modernisation process had made it more flexible and pragmatic, as well as aware of the territory's commercial value.

However, the student demonstrations, which culminated in the imposition of martial law by Premier Li Peng on May 20, have shaken this supposition.

Members of Hong Kong's legislative council yesterday attacked draft provisions in the colony's post-1997 Basic Law which would allow Peking to declare a state of emergency and impose its national laws when it considered there was "turmoil" in the colony or when China was at war.

The issue has become specially sensitive because the word "turmoil" was also used by Li Peng, China's prime minister, to describe the student demonstrations in Peking when he declared martial law.

The British Government and the present Hong Kong administration are expected to argue that they would not expect such demonstrations to lead to martial law under the separate political system that is to operate in Hong Kong for 50 years.

Some legislative council members, including Mr Martin Lee, a leading lawyer and liberal campaigner, yesterday demanded that what will be called the Special Administrative Region of Hong Kong should alone have the right to declare a state of emergency and bring in the army.

Apart from times of war, the region's own government should not be over-ruled and its laws should not be superseded by Peking.

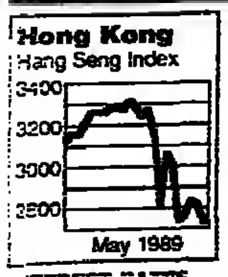
It is not yet clear whether the UK Government will go this far. But China is likely to be urged to change the Basic Law provisions so that the powers to over-ride Hong Kong's laws in time of war are separated from reactions to domestic unrest.

Deng opposed, Page 4; Editorial comment, Page 18



## MARKETS

**Hong Kong**
Hang Seng Index




**INTEREST RATES**
US lunchtime
Federal Funds 10⅜%
3-month Treasury Bills: yield 8.94% (8.9)
Long Bond: 102⅜
yield 8.61% (8.63)
London
3-month interbank
close 14⅛ (13⅞)

**STERLING**
**New York close**
$1.5715 (1.5720)
**London:**
$1.5725 (1.5585)
DM3.1075 (3.1325)
FFr10.5325 (10.6100)
SFr2.6825 (2.7350)
Y223.75 (223.50)

**DOLLAR**
**New York close**
DM1.9830 (1.99325)
FFr6.7220 (6.7635)
SFr1.7130 (1.7345)
Y142.92 (142.745)
**London:**
DM1.9755 (2.0095)
FFr6.6975 (6.8075)
SFr1.7055 (1.7550)
Y142.30 (143.40)

**GOLD**
New York latest
Comex August
$367.6 (369.7)

**STOCK INDICES**
**New York close**
Dow Jones Ind. Av.
2,480.15 (+4.60)
S&P Comp
320.51 (+1.46)
**London:**
FT-SE 100
2,114.4 (-15.6)
World:
141.14 (Tues)
**Tokyo**
Nikkei Av.
34,266.75 (+189.86)
**Frankfurt**
Commerzbank
1,743.7 (+5.3)

**OIL**
Brent 15-day (Argus)
$18.225 (+0.175) (June)
West Tex Crude
$19.925 (+0.15) (July)

## CONTENTS

**Spaniards take jaundiced view of polls and politicians**

Despite massive publicity the European elections are not generating much enthusiasm. The status of the elections has not been helped by Prime Minister Felipe Gonzalez's decision not to campaign on behalf of his party. Page 3

# EC to open talks with Japan over access to car market

By William Dawkins in Brussels

THE European Commission is to open talks with the Japanese Government and several of Europe's main car producing countries over the summer on conditions for opening up the EC car market.

This decision was taken at yesterday's weekly meeting of the 17-strong Brussels executive, as it reached a surprise agreement on the broad strategy – though not the details – of a plan by Mr Martin Bangemann, the Internal Market and Industry Commissioner, for a free EC car market by 1992.

The agreement proposes the abolition of the bilateral import quotas used by France, Italy, Spain, Portugal and Britain to protect their car producers against Japanese competition, and the ending of technical and tax barriers to car trade between EC member states.

The agreement also rules out the creation of specific EC local content rules to govern the treatment of Japanese cars, a detail which still remains controversial.

While yesterday's meeting was never intended to bring a final accord, it showed for the first time a clear Commission consensus for of extending the EC's internal market plan to the highly protected car industry, said officials.

"In practical terms, we can now start talking to the Governments... There is no more ideological debate about cars," said a Commission spokesman.

Mr Frans Andriessen, the Commissioner for External Trade, is to visit Tokyo between now and the late summer, to discuss the establishment of a "monitoring system" whereby Japan would agree to moderate its EC exports for a yet to be defined period after bilateral quotas are abolished.

This, however, will not be a firm Community-wide car import quota as demanded by the French and Italian Governments. Preliminary contacts with Tokyo indicated that Japan is prepared to accept some transitional arrangement to avoid disrupting the Community market, said officials.

Mr Bangemann will also visit car producers and the ministers responsible in the EC countries operating import quotas.

# Toxic waste mountain 'a key issue'

By Tim Dickson in Brussels

DISPOSING properly of the European Community's toxic waste mountain promises to be one of the most important environmental issues in the run up to 1992, a senior Brussels civil servant said yesterday.

Mr Laurens Brinkhorst, Director General in charge of the EC environmental policy at the European Commission, told a seminar organised by the Centre for European Policy Studies, that the removal of internal market frontiers involved a number of "negative factors" for member states, among them the potential free circulation of terrorists, drugs and industrial waste.

Pollution, pressure on natural resources and other environmental problems would in any case be worsened by the increased economic growth expected from the completion of the internal market, he said. The challenge, was complicated because the EC only "has the capacity to treat 50 per cent of its own toxic waste."

# Kosovo province reported quiet

By Judy Dempsey in Ljubljana

YUGOSLAVIA's southern province of Kosovo was reported to be quiet yesterday after renewed outbreaks of violence and demonstrations on Tuesday evening in which one ethnic Albanian was shot dead by the police.

More than 100 ethnic Albanians demonstrated in the town of Podujevo and some 2,000 students gathered at the university of Prishtina, the provincial capital, demanding a return of their autonomy which was ceded to the republic of Serbia earlier this year.

The demonstrations coincided with a visit by a delegation from the European Parliament investigating allegations of human rights violations. The visit was in response to the dramatic events last March in which 22 people, most of them ethnic Albanians, were killed by police during waves of demonstrations throughout the province.

BONN COALITION HOPES TO BENEFIT FROM NATO MISSILES COMPROMISE

# Kohl puts faith in timetable for Vienna arms talks

By David Marsh in Bonn

THE compromise Nato agreement on short-range nuclear missiles has left nearly everybody in Bonn except the opposition Social Democrats (SPD) smiling – at least for the moment. Chancellor Helmut Kohl's government is hoping that the Soviet Union has sufficient interest in cutting military spending to meet President Bush's proposed accelerated timetable for the Vienna conventional arms reduction talks.

Mr Hans-Dietrich Genscher, the Foreign Minister, says that talks on cutting stocks in East and West of short-range nuclear missiles could start shortly after the six to 12 months which the US has set as a feasible target for completion of a Vienna arms accord. A foreign ministry spokesman said yesterday that the proposed US timetable was "realistic". Other German officials, however, are sceptical whether it is sufficient.

Mr Hans-Jochen Vogel, the SPD leader, protested vainly on Tuesday that Bonn had failed in its attempt to achieve "synchronous" talks on reducing the short-range nuclear missiles largely deployed in and targeted at an area delineated by East and West Germany.

Mr Vogel appeared to have his facts wrong. The Government called in April for "early" negotiations to reduce the short-range missiles. But neither the foreign ministry nor the Chancellery has ever claimed to want "synchronous" or "parallel" talks – for the simple reason that the Vienna conventional stability negotiations have already started.

Mr Genscher, whose stern defence of German interests over the short-range missiles looks to have been vindicated, can reap popular support from the compromise. This will help both his own Free Democratic Party and the coalition as a whole in the European elections later this month.

Mr Otto Lambsdorff, the FDP leader, once on distinctly cool terms with Mr Genscher, earned enthusiastic applause when he told an FDP conference at the weekend, "Germany needs more Genscherism". Signalling that, despite all the qualms of the last few weeks, Genscherism seems also to have crossed the Atlantic, President Bush claimed in Bonn on Tuesday that relations between Germany and the US had never been better.

Beneath the euphoria, two uncomfortable questions remain.

● What will happen if no speedy breakthrough is achieved in Vienna? Mr Gerhard Stoltenberg, the Defence Minister, who had detailed discussions on the subject in Washington 10 days ago, points to the difficulty of verifying and controlling Soviet agreements to pull out and demobilise tanks and troops. Implementation of results in Vienna will be the trigger for negotiations on short-range missiles. There is room for strife, both within the Bonn coalition and within Nato, on the exact conditions under which short-range talks will start.

● Will a decision be taken in 1992 to update short-range Lance missiles in Germany? Mr Genscher is hoping that, by then, Warsaw Pact forces could be cut sufficiently dramatically to dispense with Lance modernisation. Mr Rupert Scholz, the former Defence Minister removed in April, pointed out on Monday night the dangers that the Soviet Union could exert "predominance" over the continent if all nuclear weapons were removed from European soil. For the moment, no-one is listening to Mr Scholz. But discord within Nato over Lance modernisation has been not resolved, only postponed.

President Bush gets a taste of West Germany in the company of Chancellor Kohl

# US President helps to cultivate the Chancellor's home patch

By Peter Riddell, US Editor, in Bonn

PRESIDENT George Bush spent much of yesterday in Mainz and on a boat trip along the Rhine. This was not matter of chance: Mainz is the home and political base of his host, Chancellor Helmut Kohl.

Mr Bush was living up to the familiar American adage that all politics is local.

At the Rheingoldhalle in Mainz, which was more like an American High School gym than a scene set from Wagner, there was much mutual backslapping between the President and the Chancellor.

Mr Kohl talked about the close ties between local people and the many US servicemen living in the area – noticeably ignoring an appeal from members of all political parties in the city to free "the Mainz connurbation from all burdensome military uses."

The President's visit to West Germany and the wording of the communique after the Nato summit were specifically designed to support Mr Kohl's political position, as has been frankly admitted by senior US officials.

Mr James Baker, the US Secretary of State, said the Nato communique's reference to just a "partial" reduction of short-range missiles was deliberately intended to avoid referring to a third zero, because "those are very stark terms as far as they (the West Germans) are concerned."

Similarly, Mr Brent Scowcroft, the National Security Adviser, said he thought Chancellor Kohl could turn what happened in Brussels "clearly to his advantage."

He reckoned that the Nato agreement helped him domestically because it demonstrated his close ties to the US and to the President.

In an unusually direct intervention in West German internal politics, Mr Scowcroft said that what the coalition now "needed was to distinguish itself from the opposition, not simply to adopt the opposition's policies. I think they have now given themselves the opportunity to do that by demonstrating that they are the party of coalition diplomacy they're the party of close ties with the US."

More generally, Mr Scowcroft suggested West Germany should "exhibit a sense of confidence, of willingness to stand for its own positions and policies. I think there's been progress in that direction for quite some time. The US welcomes that kind of German policy."

But only it seems when practised by the present Christian Democrat-led coalition.

# Snatching a reprieve from the jaws of defeat

IAN DAVIDSON ON EUROPE

AS FAR as it goes, this week's denouement of the Nato drama is reasonably satisfactory. Everyone enjoys a good crisis, especially when it is averted at the last moment; this one was no exception. But it would not be fair to pretend that any of the serious problems have been solved, that German dissidence has been quashed, or that Nato's orthodoxy has been restored.

As in the Perils of Pauline, the Atlantic Alliance has managed to pull itself together at the end of the second reel, just as disaster seemed bound to strike; all that was missing was Ronald Reagan in a starring role. Nevertheless, George Bush managed to surprise everyone: his new administration succeeded in giving a plausible imitation of leadership, just when he appeared to be going down without trace.

Moreover, the European members of the Alliance made supreme efforts of self-restraint. The Germans were finally induced to moderate their attempts to junk Nato's short-range nuclear missiles, and Mrs Thatcher for once declined to play the Rambo of the Atlantic Alliance.

Nato has thus snatched at least a reprieve from the jaws of defeat. After four years of being out-manoeuvred on arms control, the West has recaptured the diplomatic initiative from Mr Mikhail Gorbachev. Nato has held its 40th birthday summit; and it was, after all, a celebration not a requiem.

But it would simply not be true to pretend that All's Well That Ends Well. The Alliance has gained time; it has not solved any serious problems.

Just take the Nato argument over the future of short-range nuclear missiles, whether to replace them, to negotiate them away, or simply to bicker about them interminably.

The Germans are, of course, particularly sensitive to the short-range missile problem, which is the inevitable consequence of the 1987 Euro-missile agreement, to remove all medium-range land-based missiles from Europe.

But it is an error and a distortion of the facts, to fall in with the Anglo-Saxon innuendo that there would be no problem if only the Germans would pull themselves together, and resist the political wiles of Mikhail Gorbachev.

What the Anglo-Saxon Cold-Warriors do not wish to acknowledge, is that the nuclear dilemma is absolute and insoluble. For many years this dilemma has been forced below the political parapet, for the sake of political solidarity and under Cold War pressures.

Nato is not on safe and solid ground, simply because it asserts the virtue of a defensive strategy, and proclaims its faith in the infinitely ambiguous concept of "flexible response". We really have to do better than that, because with the growing impetus for far-reaching arms reductions, first from Mr Gorbachev and now from Mr Bush, we shall be forced to think again about Western strategy and the role of nuclear weapons.

The nuclear dilemma is in principle insoluble because: (a) no-one has yet managed to explain how nuclear deterrence can be plausible without at least the implied threat of nuclear war-fighting; but (b) no-one has yet felt able to assert that a nuclear exchange, let alone many nuclear exchanges, could possibly confer any military advantage.

The underlying quandary is made worse by the prospect of major reductions in Soviet and US conventional forces. This is forcing Nato governments to decide why they need nuclear weapons; and they are not all giving the same answer.

In the old days, it was reasonably plausible to argue that Nato had to have nuclear weapons in Europe to offset the vast Soviet and Warsaw Pact superiority in conventional forces. That was before Mr Gorbachev came along. Now that he claims to be offering the elimination of conventional superiority, we start to hear a very different squawk from the high priests of the Alliance: Nato must continue to have nuclear weapons in Europe, they tell us, regardless of the conventional balance, in order to ensure that the European end of the Alliance is still connected to America's strategic nuclear umbrella.

In today's circumstances, such arguments sound perverse and anachronistic. We have a better prospect of real East-West peace than we have known for 45 years. For the moment neither side is threatening the other. Even the International Institute for Strategic Studies, reputed authority in such matters, acknowledges in its latest review Strategic Survey that 1988 may have marked the end of the Cold War.

Moreover, the Alliance (or at least the US) still has thousands of nuclear warheads, both in the US and in Europe; the US will continue to have thousands of nuclear warheads, even after the most sweeping cuts currently envisaged in negotiations with the Soviet Union; and Britain and France will each have several hundred nuclear warheads at the end of their current modernisation programmes. In sheer numbers, these Western arsenals ought to be sufficient to deter the receding threat of war.

Moreover, the Vienna talks may well undermine the rationale for theatre nuclear weapons like Lance. For if they should lead to "the elimination of the capability for launching surprise attack and for initiating large-scale offensive action" (in the words of the Nato declaration), the case for land-based missiles in Germany will become much harder to argue.

High priests of Nato orthodoxy will retort that the crucial word here is "if": until we are sure we can succeed in renegotiating the military stand-off in Europe we shall continue to need nuclear weapons.

There are two problems with Nato orthodoxy, however. The first is that it takes no account of the political mood of the times: the Germans are increasingly reluctant to be defended on the old terms. The second is that it is more and more difficult to believe in "flexible response": the deterrent force of nuclear weapons may reside purely in the existential deterrence of doomsday, rather than in elaborate war-game scenarios; in which case it is hard to see why we need an elaborate arsenal of theatre-based weapons.

In other words, the case for flexible response; for large numbers of differentiated nuclear weapons, and for nuclear deployment in the putative theatre of conflict, may start to become vulnerable to the twin pressures of arms control and German revulsion. The arms control momentum being accelerated by President Gorbachev and President Bush may be a harbinger of peace; it may also propel a wholesale revision of the Nato orthodoxy on which we once relied.

# West German leader sets target for European political union

By Peter Riddell

EUROPEAN POLITICAL union before the end of this century was yesterday set as a goal by Chancellor Helmut Kohl of West Germany only two weeks before the elections to the European Parliament.

Speaking in Mainz alongside President George Bush, Chancellor Kohl raised the stakes in the political debate over the future of Europe in presenting a vision very different from that of, for example, Mrs Margaret Thatcher of Britain.

He said the single European market intended to be achieved by the end of 1992 would generate not only economic stimuli on a scale not seen since the days of the Marshall plan but would also enable Europe to make substantial headway politically.

"For us Germans – I am deliberately stating this now, with the elections to the European Parliament due to take place shortly – political union is not a distant vision. I would very much like to see it being achieved before the end of this century."

Mr Kohl also sought to provide reassurance over recent US fears about the 1992 process. He argued that the US would benefit. "I am convinced that the completion of the single market will not worsen the climate of world trade. We week an open Europe and not a Fortress Europe."

President Bush has similarly sought to sound conciliatory about 1992. In various comments during his European trip, he has backed the goal of the creation of an internal market, with few of the reservations expressed by other members of his Administration.

# EC to set up information centres on single market

By William Dawkins in Brussels

A NETWORK of 187 international information centres on how small businesses can tackle the trials and opportunities of the European single market will be opened in July.

The European Commission yesterday announced that it was backing the scheme, the result of a highly successful experiment started in 1987 with 39 so-called "Euro info centres" across the 12 member states. To these will be added 148 new ones, selected from 412 applications from host organisations, including chambers of commerce, local development groups and consultants.

Brussels will provide up to Ecu50,000 (£33,000) per centre, for the first year, a total of Ecu7.4m representing roughly a third of the new centres' establishment cost. EC funding will be phased out over the next three years as the centres become self-funding.

They will charge for their services. "The idea is to provide a service and not a subsidy," said Mr Antonio Cardoso E Cunha, the Commissioner for small business policy.

This is the most high profile assistance scheme in the Commission's enterprise policy, started in 1986 with the launch of a task-force for small and medium-sized businesses which was recently turned into a full directorate general. The centres tap into Community databases to provide information on the completion of the internal market, including EC regulations, technical standards and tax.

*Details from Commission of the European Communities, DG23, Rue de la Loi 200, B-1049 Brussels, Belgium.*

# Top names at risk in Polish election

By Christopher Bobinski

WARSAW is set to vote against some of the country's top party and government officials standing for Parliament in elections this, an independent public opinion poll suggests.

The poll says that each of the 35 prominent names from the Communist and other official parties on a "national list" which will be voted on by all Polish voters will fail, in Warsaw at least, to win the 50 per cent plus one votes required to get into Parliament.

Should this result be repeated throughout the country, many official politicians like Mr Stanislaw Ciosek who were responsible for the round-table compromise with Solidarity will fail to win a seat. Such a result could put the accord into question.

According to Mr Antoni Bielewicz, who was involved in the poll, 63 per cent of Warsaw voters look set to cross Mr Ciosek off the list and 60 per cent are against General Czlesaw Kiszczak, the Interior Minister and round-table chairman.

Mr Mieczyslaw Rakowski, the Prime Minister, with 57 per cent against him, does slightly better than his colleagues in the leadership. Mr Lech Walesa and other Solidarity leaders have begun to appeal to their supporters to at least make a choice on the national list.

Today the opposition Gazeta Wyborcza newspaper plans to run an unprecedented interview with Mr Rakowski by the editor, Mr Adam Michnik which should improve the Prime Minister's standing. The interview has been held up for a day because of protests by the paper's staff about using it.

# Big disparity in Community drug prices revealed

By William Dawkins

STARTLING differences in the prices of basic drugs across Europe have been revealed by BEUC, the union of EC consumers' organisations.

Disparities of more than 500 per cent were found for the prices of just over a quarter of a sample of 125 commonly used drugs surveyed by Test Achats, which carried out the study.

Two drugs in the sample were 10 times more expensive in the Netherlands and Britain than in Greece and Spain.

The group is calling on the European Commission to investigate whether anti-competitive collusion between drug companies is responsible.

Overall, West Germany, the Netherlands and Denmark are the most expensive countries in which to be ill, while invalids can live most cheaply in Greece, Spain and Portugal.

# Italy urged to cut domestic demand

By Alan Friedman and John Wyles in Rome

THE governor of the Bank of Italy, Mr Carlo Azeglio Ciampi, yesterday called for urgent moves to cut domestic demand during his most strongly worded complaint this decade about the inadequate management of the nation's public finances.

Delivering his annual report to the Bank's general assembly, the governor also revealed plans to liberalise significantly the freedom of banks to open new branches. In future banks may expand their networks on the assumption of automatic permission unless this is explicitly denied.

With the European Community's July 1 1990 deadline for the lifting of domestic restrictions on capital flows fast approaching, Mr Ciampi has stopped mincing his words about the wasted opportunities for cutting budget deficits during the last five years of continuous growth.

Yesterday, he implied that decisive action would be a test of Italy's status as a civilised nation and in a clear admonition of the governing parties (which are not governing at the moment because the government resigned 13 days ago) he urged "the abandonment of the blind defence of particular interests".

Failure to get a grip on the deficit would inevitably worsen the balance of payments, force a tightening of monetary policy and damage investor confidence in the quality of Treasury debt.

With domestic inflation now running at 7 per cent, the governor argued that the central bank's attempts to restrain price rises through raising interest rates and allowing a 13 per cent appreciation of the lira this year must be balanced by a tighter fiscal policy.

Clearly calling for fresh moves to cut demand, Mr Ciampi asserted that the last government's decision to bring forward advance income tax payments from November to May "can not be sufficient".

In a significant move to spur greater competition in the banking system and allow banks more freedom of manouevre, Mr Ciampi said he would ask the Government to approve a new procedure that would allow banks to go ahead and open new branches unless the Bank of Italy expressly disapproved such moves. In an opaque reference to the notoriously poor retail services of Italian banks, he also called for bank branches to be more efficient and to improve "contacts with customers".

The new "silence means consent" system, which follows a more limited liberalisation measure three years ago, means that banks must notify the Bank of Italy of new branching plans but will be allowed to proceed automatically with plans if the central bank does not reply within a specified time period. The central bank will only stop such plans if the asset structure of the bank in question is felt to be inadequate for branch expansion.

Mr Ciampi also gave his formal blessing to the prospect of insurance companies buying control of banks, although he repeated his objections to non-financial companies acquiring control of banks.

# Brussels blocks state aid to Alfa Romeo

By William Dawkins in Brussels and Alan Friedman in Rome

THE EUROPEAN Commission yesterday confirmed that the Italian Government must reclaim L615bn ($428m) illicitly paid to Alfa Romeo, the largest state subsidy of its kind overturned by the Brussels authorities.

Sir Leon Brittan, Commissioner for competition policy, promised a continued crackdown against any state aid which has not been cleared by the the Commission.

While the Alfa Romeo decision was not supposed to be a punishment, he said: "I am very happy that it should be regarded as an indication of my attitude generally to state aids." He blocked the aid on the grounds that it gave Alfa Romeo an unfair advantage, contrary to EC competition law.

Yesterday's decision brings to an end a sensitive two-year inquiry, accompanied by fierce Italian lobbying to clear Fiat.

The Alfa Romeo aid must be repaid by Finmeccanica, the Italian state holding company which owned it before the car group was sold to Fiat for L1,024bn in 1986.

Some Commission officials had called for Fiat to repay the aid but the group was left in the clear on the grounds that it merely bought Alfa Romeo's assets and none of its financial obligations.

In Rome, a spokesman for IRI, the state holding group that owns Finmeccanica, said the Commission decision concerned "general matters relating to state industry" and that an evaluation of the decision would therefore be referred to the Italian government.

IRI claimed, however, that the injection of funds into Alfa Romeo was "executed in accordance with Italian law".

IRI said it reserved the right to take "steps to protect its interests" as soon as details of the decision were available. This would include a possible appeal to the European Court of Justice.

Fiat took the view last night that the Commission had concluded that "we paid the right price" for Alfa Romeo. "This is what we have always said," a spokeswoman commented.

Brussels officials said the Italian government failed to notify the Commission in advance of the deal, thus violating the rule that clearance be obtained for all state subsidies.

The EC car industry was suffering from severe overcapacity at the time of the takeover, when Alfa Romeo itself was running at only 40 per cent of operating potential. It had been losing money since 1975 and registered a rapid deterioration in the two years before the deal.

The aid came in two capital injections of L206bn in 1985 and L409bn in 1986, neither of which was conditional on any closures. This was clearly designed cover losses and stave off the crisis, rather than being an investment under normal market conditions, said officials.

"By keeping Alfa Romeo artificially alive without any serious restructuring, competition in the Community was seriously distorted," said the Commission.

The Brussels authorities found that the purchase price itself contained no state aid, even though Ford of the US made an offer that "was on average slightly higher".

But the rival bids were hard to compare because Ford's offer took account of future commercial risks linked to Alfa Romeo's development plans for 1987-1993, which were not included in Fiat's price.

"The absence of risk in the Fiat offer could explain why it had been chosen," said the Commission.

Yesterday's announcement comes as the Commission is entering the final stages of a long dispute with the French government over the conditions under which Paris should be allowed to write off FFr12bn (£1.1bn) of the debts of Renault, the state-owned car producer.

Sir Leon refused to be drawn on Renault, which he will be discussing today with Mr Roger Fauroux, the French Industry Minister.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.



FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

# Pozsgay strengthens position in Hungary

By Leslie Colitt

MR IMRE POZSGAY, leader of the Hungarian Communist Party's powerful reformist wing, won an important victory this week in his attempt to democratise the party and to oust the increasingly unpopular Mr Karoly Grosz as general secretary.

The Central Committee voted on Tuesday to convene a party congress next autumn, a year earlier than Mr Grosz wanted. By Mr Pozsgay's forecast, the party leader will be voted out of office.

Abandoning the tradition of closed-door manoeuvres, the 55-year-old minister of state for political reforms recently staked out his claim either to head the party or become president with widened powers.

Although he says that "the people must decide," the indications are that Mr Pozsgay has firmly set his sights on Mr Grosz's position.

Mr Pozsgay is one of the few members of the ruling politburo to enjoy the confidence of rank-and-file party members who are deeply angered by Mr Grosz's failure to carry out promised democratisation of the party.

The latest crisis in the party resembles the rebellion of reform-minded members against the leadership of Mr Janos Kadar before the last party congress in May 1988. Shortly afterwards, the strategic alliance forged in the mid-1980s between Mr Grosz and Mr Pozsgay began to crumble. The clumsy attempts at bridge-building between party factions by Mr Grosz, a conservative turned centrist, have not been successful, and the central committee's vote this week appeared to seal his fate. Mr Pozsgay has re-enforced his position as the most popular Hungarian politician. In a recent opinion poll 69.6 per cent of respondents found him a "trustworthy" politician against 50 per cent for Mr Grosz.

Although he is riding a popular wave of liberalisation Mr Pozsgay must be careful not to be propelled forward too quickly lest he falter.

East European reformers in the past found it impossible to moderate radical demands from their followers once the lid was lifted from orthodox Communism.

Mr Pozsgay counters that this time, Moscow is looking benignly on the Hungarian experiment. But he acknowledges that the silent majority in Hungary has yet to be heard. An economically hard-pressed population might decide to oust the entire party without waiting for next year's planned elections as Mr Pozsgay has urged.

The deceptively bland-looking politician has of late called for the transformation of the Hungarian party into one which is oriented to Western European social democracy.

He also managed to upset the orthodox East German party last week in a highly-acclaimed speech to the European Academy in West Berlin. Mr Pozsgay said the dictatorial, Stalinist-type systems everywhere were in a crisis.

Turning to the West, he said Hungarians wanted their East European home again to become part of central Europe.

# OECD urges states to set goals for economic reform

By Peter Norman, Economics Correspondent in Paris

THE Organisation for Economic Co-operation and Development warned member states that they must improve the functioning of markets and efficiency of their public sectors if they wished to sustain recent strong growth rates and further reduce unemployment.

In a special report, published to coincide with this week's annual meeting in Paris of ministers from the 24-nation club of industrial countries, the OECD's economic policy committee said structural economic reform needed to be given a fresh impetus.

It said that governments should set goals for the coming year as an immediate next step towards promoting reform.

Although all member governments had made progress in modernising their economic structures, the report observed that "there are major gaps between stated objectives and achievements, especially where international trade is concerned; and in every sphere of policy there is a great deal of unfinished business".

For the coming year, the governments should:

● Aim to achieve progress in the Uruguay Round of trade liberalisation talks and reinforce commitments to the open international investment system.

● Boost mutual surveillance of structural reforms among OECD countries. This should be done by refining priorities and assessing the appropriate role for quantitative indicators to aid the process of monitoring policy reform.

● Deepen analysis of how market and non-market institutions function. The OECD should step up study of industrial subsidies, rigidities in labour markets, the efficiency of public sectors and the economic criteria that should bear on environmental concerns.

● Develop further processes for monitoring economies.

The report said that now was the time to press forward on a broad front with reform to enhance the efficiency, flexibility and dynamism of the industrial world's economies. It identified nine priority areas.

In international trade, it said OECD trade regimes had on balance become less liberal over the past decade. While pushing ahead with the Uruguay Round, OECD member states should also roll back non-tariff barriers and ensure that regional economic integration, such as the 1992 project in the European Community, was trade-creating rather than trade-diverting.

In agriculture, the report said little progress had been made towards allowing market signals to influence agricultural production. It recommended direct income transfers to aid low-income farmers.

Industrial subsidies had generally been inefficient as a means of preserving jobs or easing structural adjustment. International co-operation could make subsidy policies more transparent and help governments resist pressures for wasteful programmes.

International direct investment should be liberated from policies such as specific controls on "sensitive" sectors and government procurement practices that restrain flows. "Recently there have been disturbing signs of trade protectionist sentiment spilling over into the investment field."

Although liberalisation of financial markets had been rapid, the report said official regulations and restrictive business practices continued to influence interest rates, credit flows and portfolio structures.

On taxation, it said scope remained for further reforms that could reduce disincentives for saving, investment and employment. It called for tax systems to be made more neutral with respect to corporate financing and investment patterns.

The effectiveness of competition policy continued to be threatened by pressures for special dispensations, border protection and domestic subsidies. The report called on governments to abolish exemptions except where strictly necessary and treat foreign and domestic businesses even-handedly.

Progress in promoting labour market flexibility remained slow. The OECD suggested that the emphasis of labour market programmes should be shifted from income support, which might foster dependency, to encouraging job search and skill formation.

In the public sector, the OECD said there appeared substantial scope for further progress in raising efficiency.

## INDUSTRIALISED NATIONS 'HAVE FAILED TO SHIFT POLICIES AWAY FROM SUPPORT FOR AGRICULTURAL PRODUCTS'

THE world's leading industrialised countries have failed to make significant progress towards reforming their agricultural policies, according to a report from the Organisation for Economic Co-operation and Development, writes Peter Norman.

In its latest annual review of reform efforts, the OECD said the overall level of subsidy for agriculture in its 24 member states had fallen last year.

But this was the result of rising prices following the drought in the US. Failing further climatic setbacks, the OECD warned that underlying output and consumption trends were likely to lead again to widespread product surpluses for most commodities with the consequent risk of further tensions in international trade.

The report said that developments last year, when world prices strengthened – despite, rather than because of, policies – provided an opportunity to advance the process of reform.

However, the OECD said that only a few countries had introduced significant policy or programme changes in line with their long term objective of letting market signals influence agricultural production. Indeed some countries increased support prices.

It said supply control measures such as quotas had been effective in cutting production. But they had not been used to minimise economic distortions and promote better use of market mechanisms.

On trade, the OECD noted that there had been little progress towards increasing market access for farm products. The use of measures that directly or indirectly affect export competition had remained widespread.

The OECD said that the overall level of assistance for agriculture in its member states had fallen for the first time in several years last year. The organisation estimated that according to its chosen measure of subsidy – the producer subsidy equivalent – support fell to $157bn in 1988 from $169bn in 1987. This represented 45 per cent of total value of agricultural production in member states last year compared with 50 per cent the previous year.

After adding the indirect agricultural support provided by consumers through such means as customs duties, agriculture in the OECD area benefited from transfers totalling $270bn last year against $287bn in 1987.

The OECD report underlined the wide variation in the level of subsidy granted to agriculture in member states. It estimated that producer subsidy equivalents ranged upwards last year from 8 per cent of production value in New Zealand through 34 per cent in the US and 46 per cent in the European Community to 74 per cent in Japan.

Agricultural Policies, Markets and Trade. Monitoring and Outlook. OECD, 2 rue André-Pascal, 75775 Paris Cedex 16. FFr150.

# Spaniards take a jaundiced view of polls and their politicians

**Peter Bruce** reports on a certain disenchantment with democracy in general and the Euro-election in particular


THIS IS not a good time to be holding elections in Spain. Politicians, generally, are in the doghouse.

For a long time the ruling Socialists have been there alone, charged with running the country like a party fief. More recently, they have been joined by their main conservative opponents, the Partido Popular (PP), who have been accused of trying to buy votes to remove the Socialists from power in Madrid province.

Crammed into the kennel as well is the smaller centrist grouping, the Centro Democratico y Social (CDS), led by former the Prime Minister, Mr Adolfo Suarez, some of whose representatives recently crossed the floor in Madrid's city hall, then either changed their minds or quickly left politics altogether.

Mr Miguel Roca, secretary general of the Convergencia i Unio (CiU), which runs Catalonia, takes little pleasure in his party being excluded. "All politicians are affected by this behaviour," he says. "After Franco, we were the heroes of the hour, but suddenly newspapers have discovered that democracy is not perfect and we are all coming under the microscope."

Despite a massive publicity effort, the elections to the European Parliament are not generating much enthusiasm among ordinary Spaniards. Analysts expect turn-out on June 15 to be much lower than the 69 per cent recorded in 1987. A recent survey in El Pais showed only half the country's eligible voters think the European poll is important.

The status of these elections has not been helped either by Prime Minister Felipe Gonzalez's decision not to campaign on behalf of his party's list. Instead, he has been striding the international stage meeting other European Community leaders ahead of the summit which ends Spain's EC presidency this month in Madrid.

Given the Socialists' year-long battle and their tense wrestling match with an overheating economy (the trade deficit is already higher than for the whole of last year, the peseta is 6 per cent up against the D-Mark since January, interest rates are closing on 20 per cent and the current account deficit is forecast at $8bn, nearly three times than in 1988) they are not doing too badly in the opinion polls.

The El Pais survey last Sunday showed the Socialists losing three of their 28 seats in Strasbourg, with the PP and CDS holding their respective 17 and seven seats. Only the Communist-dominated Izquierda Unida would gain – one seat to take its total to four. The survey suggested the Socialist vote would fall only marginally, to 37.8 per cent from the 39.4 per cent two years ago.

Conservative opponents have only themselves to blame for this. First, Mr Mannel Fraga, leader of the PP, invited Mr Marcelino Oreja, former secretary general of the Council of Europe, to head the PP list. He thought Mr Oreja, a minister in Mr Suarez's government in the late 1970s, would attract other centrists over to the right. But the chosen candidate, though thoroughly decent, is an unexciting politician and has not worried the Government much.

Even worse, Mr Suarez, an eclectic politician if ever there was one, has spent the past two years trying to attack the Socialists from the left. He has taken the CDS into the Liberal International and even attracted a leading left-wing leader to his side.

But the lure of the presidential palace in Madrid has proved irresistible and a month ago he agreed to join forces with Mr Fraga to overthrow minority Socialist administrations in some big Spanish cities, including the capital.

This has all but destroyed his carefully crafted liberal profile and the fact that their joint censure motion against the regional government in Madrid has floundered amid allegations of graft that has left the CDS looking even less convincing.

Hopes among the right- and left-wing opposition that the June 15 poll would serve as a "primary" for national elections to be held in a year seem now to have withered on the vine. The big Socialist trade union, the UGT, has refused to campaign for the Government in protest at conservative economic policies but it is most likely that UGT members will support Socialist candidates.

The big issues, if there are any, are not apparent. "We will be talking about Europe and everyone else will be attacking the government," says Ms Ana Miranda, the senior woman on the Socialist list.

That is only partly true. The 33 parties contesting the poll – from Herri Batasuna (HB), the political wing of the Basque terrorist movement, Eta, the movement to "free" Andalusia and the supporters of Mr Jose Maria Ruiz-Mateos, the financier facing fraud charges – all have narrow agendas. For the first time, though, environmental issues are surfacing seriously in Spanish politics, with about five parties campaigning on "green" tickets.

For the most part though, Spaniards will have heard it all before. A broader problem for most Spanish politicians is that, for the most part, voters haven't the faintest idea who they are.

All Spanish politics is conducted by proportional representation, with candidates listed by parties and winning seats according to the parties' proportion of the votes and their position on the lists. No one represents anyone and nowhere is this clearer than in the Cortes (Parliament) in Madrid, where backbenchers are never heard unless instructed to say something by party bosses. It worries Mr Roca and many other politicians who fear Spanish politics may be losing legitimacy.

After Franco, he says, it was important and exciting to be able to vote for once banned parties, but the lack of accountability is now making itself felt. "I represent 4m Catalans," he says. "No one knows me. The problem is not the lists; the ridiculous thing is proportional representation. I prefer the British system." It is highly unlikely though that big parties would ever want to lose their control over whom they have on their lists or what that person does when elected.

Spaniards know this, too. If June 15 is an opportunity for anything, it will be for a free-ranging protest vote, with all parties campaigning nationally but the final result saying nothing weighty about domestic politics.

# Trade gap widens in France

By George Graham in Paris

FRANCE'S foreign trade deficit widened to FFr3.8bn (£358m) in April, following two months of modest deficits had encouraged hopes of a revival in French trading performance. The French Customs Office said yesterday that exports fell to FFr93.3bn in April, after seasonal adjustments, FFr3.2bn less than in March, while imports rose by FFr300m to FFr97.1bn.

Mr Jean-Marie Rausch, the Foreign Trade Minister, said the deficit was structural, adding that it would need at least one or two years to return to health.

"The remedies adopted in our plan to help exports will only take full effect in 1992," he said, forecasting a trade deficit this year of around FFr35bn, similar to that in 1988.

The deterioration reflected a large increase in the trade deficit in manufactured goods, which leapt to FFr5.5bn from FFr2.1bn in March. This was despite the export of eight Airbus aircraft worth around FFr2.6bn in April, an erratic item which ought to have helped the overall trade balance.

The deficit in energy products also worsened, dipping to FFr7bn from FFr6.6bn the previous month.

In geographical terms, France's trade deficit worsened principally with West Germany (FFr5.7bn) and the US (FFr2.3bn), while the deficit with Japan narrowed slightly to FFr2.4bn.

## OVERSEAS NEWS

# Australian foreign debt breaks A$100bn barrier

By Chris Sherwell in Sydney

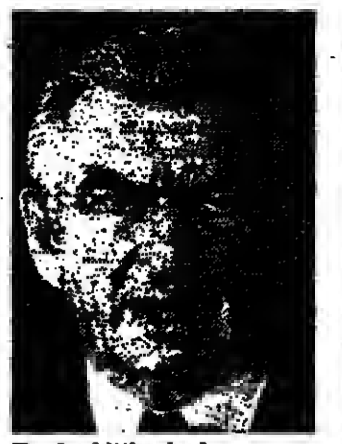
AUSTRALIA'S ballooning foreign debt has surged through the psychological A$100bn mark for the first time, stirring fresh clashes among local politicians and a yawn on the financial markets.

Preliminary figures released by the Bureau of Statistics yesterday showed net foreign debt, after taking into account lending abroad and official reserves, rose to A$103.2bn at the end of the March quarter, up from A$95.9bn.

On a gross basis, the debt figure soared to A$128.6bn, or 39 per cent of gross domestic product, from A$121.6bn. At current exchange rates this is equivalent to US$96bn, and puts Australia behind the US, Brazil and Mexico among the world's debtor countries.

The Labor government was yesterday at pains to urge caution in interpreting the figures, which coincide with a row over last weekend's announcement by Moody's, the US ratings agency, that it is reviewing its ranking of Australian debt.

Of the A$103bn total, official debt stands at just A$15bn, while non-official public sector debt is put at around A$25bn.



Hawke: hitting back

The remainder, some A$63bn, is due to private sector borrowing, notably by Australia's largest corporations.

Analysts point out that many of these have considerable assets abroad and lending banks must be presumed happy with the security for their borrowings.

For his part, Mr Bob Hawke, the Prime Minister, accused the opposition of "scaremongering" over the figures. He said it was "inaccurate" to compare Australia with Mexico or Argentina, and called it a "stupid and pernicious nonsense" to calculate how much each Australian family owed the rest of the world.

But the conservative opposition insisted that the government bears blame for the trend, attacking its failure to stimulate savings and particularly the prevailing tax regime for its incentives to borrowers.

For the markets the figures were a yawn because, although they were slightly higher than expected, they could easily be estimated in advance from the string of poor balance of payments figures during the quarter and the weakening Australian dollar exchange rate.

A breakdown of yesterday's statistics showed that, of the A$7.3bn rise in the net debt figure, almost A$1.6bn was due to "valuation changes" and the remainder to capital transactions. On the foreign exchanges, the Australian dollar finished at 58.8 on a trade-weighted basis (May 1970=100), down 0.1.

# IMF approves Algerian loans

By Francis Ghiles

THE International Monetary Fund yesterday approved a package of loans worth SDR 470.9m ($565.05m) for Algeria. This includes SDR 155.7m which is a first tranche credit agreement and a compensating facility of SDR 299m to help meet the cost of cereal imports which increased from $350m to $600m between 1987 and 1988 because of the worst drought in 30 years and a sharp rise in international wheat prices.

The World Bank is expected to extend, by midsummer, loans worth an estimated $300m, part of an economic reform support programme it is currently negotiating with the Algerian government. On Monday, the bank approved a $110m loan to help towards the cost of financing the West Mitidja irrigation project.

The loans have a maturity of five years and can be drawn down in one tranche. It is understood that tough conditions have not been set as the IMF Board feels that the austerity measures already taken which led, last October, to the worst rioting Algeria had witnessed since independence, were severe enough.

Algeria's external oil and gas income was halved in real terms between 1985 and 1987 but improved last year to $7.8bn. It is projected to rise to $8.9bn in 1989, $8.2bn of which are accounted for by hydrocarbons. The impact of a stronger US dollar will also help Algeria, whose leaders have adopted a far more flexible gas marketing policy than the one which prevailed until last autumn, thus helping the state hydrocarbons monopoly Sonatrach regain some of the market it lost throughout the 1980s. Imports meanwhile are expected to rise by $700m to $8.9bn in 1989.

Servicing Algeria's estimated $23bn foreign debt, 45 per cent of which is denominated in US dollars, is expected to cost $5.8bn this year and next and should decline after 1991.

In a recent interview in the ruling Front de Libération National daily, El Moudjahid, the Minister of Finance, Mr Sid Ahmed Ghozali said that those Algerians who had got rich quickly in recent years and transferred money abroad illegally, rather than Algerian emigrants in Western Europe, should be held responsible for the fact that the Algerian dinar fetches five times its official rate on the black market.

The minister also underlined the importance of strengthening the capacity of the state to gather taxes from the rich. This would avoid much of the excess liquidity which currently exists.

# Drought hurts Syrian economy

By Andrew Gowers in Damascus

THE SYRIAN government is bracing itself for renewed pressure on its already depleted foreign exchange reserves in the next few months following a drought-induced fall in the domestic wheat crop and a resulting increase in wheat and flour imports.

Western diplomats in Damascus believe that an almost total absence of rain in the first few months of this year has cut Syria's wheat harvest – which last year reached a record 2.8m tonnes, according to the International Wheat Council – by at least 50 per cent. To make up the shortfall and avoid the possibility of politically-sensitive shortages of subsidised bread, they estimate that the Government will have to import well over 1.5m tonnes of wheat and flour at relatively high international prices.

The drought has put paid to the confidence being expressed in Damascus last year that rising domestic oil production spelt the beginning of the end of Syria's economic woes. "This will be a very hard year for the Syrians – harder than the previous two," said a senior East European diplomat. "There will be increased pressure, which could assume even social proportions."

The failure of the rains has also reduced the level of water in the Euphrates river. A hydroelectric power station on the river generates 50 per cent of the country's electricity. Water supplies are being cut off for around 12 hours a day in major cities; power cuts may well increase again during the summer; and the Government may be compelled to use more fuel oil for electricity generation, thus reducing the already small quantity of oil available for export.

In financial terms, the authorities do not appear to have much room for manoeuvre. Foreign exchange reserves, though apparently not as low as they were in early 1987, are still believed to be sufficient only for a few weeks' import cover. To make matters worse, it is widely thought in the Syrian capital that Saudi Arabia has yet to advance Syria any financial aid this year.

This follows the expiry of a 10-year agreement between Arab states under which Riyadh was paying Damascus $540m a year to bolster its position on the front line with Israel. The other wealthy Gulf states halted payments to Syria under this accord several years ago.

Government policy signals remain confused and, in any case, are muted by a thriving black market in goods smuggled from Lebanon. In an effort to contain domestic demand for fuel and maximise exports, the government recently raised petrol prices by 50 per cent. It has also sought to ward off any adverse political consequences with a 25 per cent across-the-board wage hike for public employees – well below an annual rate of inflation estimated at 100 per cent-plus.

# Daewoo shipyard rescue in jeopardy

By Maggie Ford in Seoul

THE SUICIDE of a worker at the South Korean shipyard owned by the Daewoo Group has sparked a strike threat and may put a Government rescue plan for the yard in jeopardy.

Workers yesterday gave notice of a strike in pursuit of their claim of a 53 per cent pay rise, and a reduction of working hours to 44 a week plus fringe benefits.

Management has refused to offer any pay rise, citing the company's indebtedness which led to the bail-out plan.

Two workers set themselves on fire earlier this week saying that they were being treated like slaves. The first died and the second is in hospital with serious burns.

Under the Government rescue plan, Daewoo, which has debts of Won 1,211bn ($1.8bn) is required to raise Won 400bn by selling stocks and subsidiaries in return for new and rescheduled loans totalling a further Won 400bn.

The Government expects Daewoo to improve its management and to come to a reasonable agreement with its workers to guarantee industrial peace. In the long term the plan is to diversify from shipbuilding into mini-car production in a joint venture with Suzuki of Japan.

Anger appears to have mounted at the yard after Daewoo said it could not pay any increase this year and offered 90 per cent of other shipyard workers' salaries for the following two years.

# Five die as riots spread to Nigerian capital

FIVE men died when police opened fire as thousands of demonstrators stormed a police station and barracks in Lagos on Wednesday, according to the News Agency of Nigeria (NAN), Reuter reports from Lagos.

The agency, citing a senior police officer who asked not to be named, said police fired tear gas canisters and live ammunition.

"We've been able to secure and protect our facilities," said Olawole Olaniyi, divisional officer in charge of the station in Mushin about 4.8 km from the city centre.

He would not confirm the reported deaths.

The student-led protests brought unrest which has spread across the country over the past week to the heart of the capital.

Soldiers were called out as demonstrators smashed telephone kiosks and threatened people, demanding that the military government scrap economic reforms introduced in the face of the country's $30bn foreign debt.

The authorities ordered the closure of Lagos campuses, bringing to 13 the number of academic institutions closed since student riots started a week ago in Benin City, 200 miles to the east.

Last Friday, troops and police shot dead three rioters after three days of protests. The protests appear to have been fuelled by rapidly falling living standards which the students blame on structural adjustment policies, drawn up in close consultation with the International Monetary Fund and the World Bank.

# Egypt and Libya try to mend fences

By Tony Walker in Cairo

AFTER MORE than a decade of barely concealed hostility, and a brief border skirmish in 1977, there are tangible signs that Egypt and Libya are in the process of restoring relations to a more or less even keel.

But Egyptian officials and foreign observers warn that a new relationship – President Hosni Mubarak and Colonel Muammer Gadaffi staged two rounds of "reconciliation" talks in Casablanca last week – remains precarious.

The arrival in Cairo on Tuesday of Ahmed Gadaff-Eddam, a cousin of Libya's idiosyncratic leader, for talks on reopening the Libya-Egypt border was a direct result of the high level meetings at last week's Arab League summit. Only Libya, Syria and Lebanon, among Arab states, have failed to restore diplomatic relations with Egypt. Relations were severed after Cairo signed its 1979 peace treaty with Israel.

Colonel Gadaffi has never made any secret of his distaste for attempts by moderate Arabs to seek a path of compromise in dealings with the Jewish state.

As yet, there has been no public discussion of a formal resumption of diplomatic ties. Mr Mubarak, in a nationally televised address on Tuesday, referred cautiously to his discussions with Colonel Gadaffi who has long been portrayed in the Egyptian press as something of a madman.

"We discussed various issues and feel he (Mr Gadaffi) is willing to continue the dialogue," Mr Mubarak said. He described his talks as being frank and cordial.

General Youssef Sabri Abu-Taleb, Egypt's Defence Minister, visited the Egypt-Libya frontier earlier this week, and was reported to have checked on preparations to re-open the border closed since the 1977 border skirmish.

A Libyan civil aviation team is also reported to be in Cairo for discussions on a resumption of direct air links with Tripoli. Egypt earlier this year announced that it would permit Libyan Arab Airlines to use Egyptian airspace for pilgrim flights to Mecca.

Workers in the pro-government demonstration display a banner calling for a halt to chaos

# Ailing Deng fails to secure clear backing for purge of party chief

By Robert Thomson in Peking

THE PARAMOUNT Chinese leader, Deng Xiaoping, is facing unexpected opposition from members of the Communist Party Central Committee in his attempts to orchestrate a purging of the party chief, Zhao Ziyang, and other senior officials for alleged political crimes.

Deng, known to have been in poor health in recent days, has been unable to call a meeting of the central committee for fear of open opposition to the purges, despite his having produced evidence in meetings with senior party officials showing that Zhao's staff was passing on confidential information to pro-democracy protesters.

It is known that several influential party meetings have agreed to dismiss Zhao only if the purge process does not contravene the constitution, but Deng apparently suspects that those officials will attempt to alter the charges against Zhao or even lead a counter-attack when a meeting is finally and formally convened.

It is also understood that Deng has been deeply dissatisfied with the performance of Premier Li Peng, the most outspoken of the conservative leaders. Deng was annoyed by Li's handling of the introduction of martial law, by the poor quality briefings he provided at crucial moments of the crisis, and by the Premier's reference in public to Deng as the sole architect and final arbiter of reform.

That description of the Chinese leader was remarkably similar to a comment made by Zhao during a meeting with the Soviet leader, Mikhail Gorbachev, that led to Zhao being accused of revealing state secrets.

The time taken to organise the purge is a sign of the fragility of the present conservative coalition cobbled together by Deng, who has been receiving medical treatment, including oxygen, in recent days.

Apart from the reluctance of some senior party members to dismiss Zhao, the coalition is concerned about not having sufficient backers in the National People's Congress (NPC), the parliament headed by the relatively liberal Wan Li.

Apart from one public statement supporting Li Peng and martial law, Wan has been silent and is said by associates to be biding his political time. While Wan is not seriously ill, and cut short a US trip for political and not medical reasons, as was stated last week, he, too, has been receiving treatment this week for a heart condition.

In the past, the niceties of law were not a pressing concern for the leadership when disposing of opponents, but several of Deng's elderly supporters like to think that they should be seen to be abiding by the constitution.

During the cultural revolution, they were unconstitutionally sacked and would like to think that the party has progressed since then.

Informed Chinese point to the speech earlier this week by Peng Zhen, 87, the former NPC head, as a sign of the complexity of the present political alliances.

The still ambitious Peng Zhen did not bother to praise Li Peng, but was

Thousands of farmers and workers yesterday marched in support of socialism and Premier Li Peng's hard-line policies in a government-backed rally opposing the student movement for democratic reform, AP-DJ reports from Peking.

This was the first pro-government demonstration in China's six-week-long political upheaval.

Farmers and workers wearing straw hats marched to a stadium in Huangcun, a village south-west of Peking, under banners saying "we support Li Peng" and "we oppose the small group causing turmoil."

The demonstrators burnt an effigy of Professor Fang Lizhi, the astro-physicist whose liberal ideas inspired many of the students in Tiananmen Square.

The farmers also expressed support for the Communist Party's "four principles," which include allegiance to the dictatorship of the proletariat, socialism, Communist Party rule, and Marxist-Leninist-Mao-ist thought.

The Peking Foreign Affairs Office informed foreign journalists of the march and several others in the suburban area of the city. Under martial law declared for most of central Peking, the foreign news media has been forbidden to cover student demonstrations.

strangely supportive of the student protesters, and emphasised the importance of adhering to the constitution.

Meanwhile, the People's Liberation Army continues its manoeuvring. The President, General Yang Shangkun, has given more authority to his brother Yang Baihing, the head of the army's political department, at the expense of Chi Haotian, the chief of staff, who was reluctant to call in the military. Yang Shangkun, also ambitious despite his 85 years, is overseeing all television broadcasts of political news.

In an unpublished speech to PLA officials, Yang said that the leadership must rely on "the 3m PLA and the 40m Communist Party members" to maintain control, though he suggested that the support of many party members cannot be taken for granted, and that "some people want to use the NPC to oppose the party" – curiously, the majority of NPC representatives are party members.

The Defence Minister, Qin Jiwei, has spent recent days among sympathetic soldiers, though he is supposed to be purged, along with Zhao for the failure of the Peking military command to obey orders.

Qin is reasonably popular with younger officers, and so his demise is also proving difficult to organise. If nothing else, the slowness of the purge process is evidence that the composition of the Communist Party has changed in recent years.

There are more pragmatic party members who are less willing to take part in unrealistic and emotional campaigns against "bourgeois liberalism" or "spiritual pollution". And economic reform has created vested commercial interests, for example, in the more mercantile military.

A speech made by Deng just before party policy on the students turned tough reveals his unawareness of the degree of change in China. He has clearly miscalculated the strength of popular feeling against the party and himself, and spoke of "bloodshed" as a real option in handling the protests.

"There are 60,000 students who are boycotting classes but there are 100,000 who are not. We must protect and support the 100,000. Worker and peasant cadres support us. We also have several million PLA. What are we afraid of?", he asked.

UN ENVIRONMENT MEETING

# Global convention needed to tackle crisis

By Julian Ozanne in Nairobi

DELEGATES from 103 countries agreed last week at a UN environment meeting on the urgent need for a global convention on climate change and the so-called "greenhouse effect," an internationally binding treaty to save the world's disappearing animal and plant life and a greatly strengthened world body to tackle environmental problems.

"Environment has come to the apex of the political and economic agenda," said Dr Mostafa Tolba, executive director of the UN environment programme, which ended its fifteenth governing council meeting last Friday in Nairobi.

"Human society faces a challenge unprecedented in 10,000 years of civilisation. To deal with this crisis, the peoples and governments of the world will have to engineer common and concerted action on an unprecedented scale," Dr Tolba said in his closing remarks.

Concern about the prospect of global warming, rising temperatures of the earth, increasing sea levels and warmer climates caused by the build-up of "greenhouse gases," primarily carbon dioxide, prompted governments to put climate change at the top of their agenda.

Many developing countries, worried by the lack of resources and the slow rate of transfer of appropriate technology, expressed their hope that preparations would move cautiously. But a majority of western nations, including Britain, France, West Germany and Canada argued that work should start immediately.

"We want a convention now. It is not too early to start discussions with other countries," said Lord Caithness, the British Minister for Housing, Environment and Countryside.

The conference, attended by a record number of countries, 44 represented by ministers, also approved an immediate start to the drafting of an international law to save the earth's "biological diversity" noting that an estimated 100 species of flora and fauna are being extinguished by human action every day.

But Dr Tolba warned against moving too fast towards global conventions without scientific consensus and political will on the part of governments. "I am not keen on having a convention for the sake of having a piece of paper," he said. "We have to wait and see how far governments are serious and willing to bite the hard bullet."

Delegates were divided on where to hold the 1992 UN Conference on Environment and Development. But a number of key themes were emerging to be debated in 1992. The Soviet delegation leader, Mr Peter Poletaev, renewed his government's call for the establishment of an international environment fund to draw on money saved from arms cutbacks and the adoption of a code of environmental conduct.

The conference passed a Soviet-sponsored resolution for the creation of a "green cross" environmental centre to provide urgent assistance for environmental emergencies like the nuclear accident at Chernobyl and the recent US oil tanker spill off the Alaskan coast.

The Soviet Union was also pressing for the creation of an environmental control international space laboratory and an international environment academy.

The 1992 Conference will also debate the need for a stronger organisation to arbitrate on environmental disputes between states, possibly in the form of an Ecological Security Council or a special committee within the UN Security Council.

The issue of sustainable development and the impact of the the establishment of a world climate fund to support developing countries in fulfilling the requirements of international agreements, like a reduction in greenhouse gases and substances which deplete the ozone layer, made progress last week.

Earlier this year Norway proposed to contribute 0.1 per cent of gross national income – about $100m – to such a fund. At the conference Dr Ed Nypels, The Netherlands Minister for the Environment, announced his government's intention to reserve $125m over the next three years for such a fund.

Dr Tolba said work must begin immediately to renegotiate the Montreal Protocol on the ozone layer and strengthen moves to control the transboundary movement of hazardous wastes. "We have to work out our plan of how are we going to implement what goverments agreed upon in a legally binding international treaty. We cannot afford to let the treaties be dead letters."

# Rival prime ministers exchange shots across the religious no-man's land of Beirut

**Lara Marlowe on the political mistrust and disagreement which is threatening Lebanon's fragile ceasefire and search for peace**

IN the ante-rooms of their Beirut offices, Lebanon's two rival prime ministers display the remains of artillery shells that have been fired at them.

Christian Prime Minister General Michel Aoun has gone underground, to the parking lot two floors below the Presidential Palace at Baabda. The nose-cone of a 240mm shell lies in a corner of the garage.

Sunni Moslem Prime Minister Selim al-Hoss has kept his sixth floor office in the Aishee Bekar quarter of West Beirut. Rocket fins lie on the floor below his bookcase. The Saudi-Lebanese bank across the street has a hole the size of a car smashed through it by a rocket presumably meant for al-Hoss.

Until September 22 last year – when Amin Gemayel, Lebanon's last president, left office – Gen Aoun, as commander in chief of the Lebanese armed forces, and al-Hoss, as Prime Minister, often spoke to one another. But the two men have had no communication since their respective communities began to move further apart than ever amid the recent fighting.

In the east, Gen Aoun has been regarded with reverence by many Christians who talk of a cult of "Aounism," although some members of the Christian business community seem to begrudge the cost of his "War of Liberation" and privately believe his challenge to the Syrians has lost momentum.

Residents of West Beirut respect al-Hoss for his integrity and learning – he has a doctorate in economics from the University of Indiana and began his career as a business studies professor – but they see his obeisance to the Syrians as a symbol of their own helplessness.

"We don't trust the Maronites," a Shia Moslem construction engineer said. "Why hasn't Aoun promised equality for the Moslems? If the Syrians leave, we will get nothing. The Maronites have forced us into this alliance with Syria."

Under Lebanon's unwritten national pact, the president must be a Maronite, the prime minister a Sunni Moslem and the speaker of parliament a Shia Moslem. The commander-in-chief of the army and the governor of the central bank are always Maronite Christians.

Lebanese Moslems want a greater share of political power because Moslems are now in a majority, but Dr al-Hoss and Gen Aoun disagree on whether political reforms or 'national liberation' should follow the fragile "ceasefire" now in place.

Aoun says all foreign forces – starting with the 35,000 Syrian troops in Lebanon – must leave the country before the Lebanese can resolve their differences. He abdicates responsibility for reforms, saying he would be overstepping his mandate to advocate political change, even though the US is putting pressure on him to do so.

Al-Hoss, on the other hand, believes Lebanon's two governments must work with the Arab League to institute a more equitable system of government. He contests the competence of either his or Aoun's government to demand the departure of the Syrians. For al-Hoss, the ceasefire must be followed by presidential elections, a position supported by last week's Arab summit.

Al-Hoss advocates "simultaneity", a procedure under which the Lebanese parliament would convene to elect the speaker of parliament and his deputies and then, as a first step towards ending confessionalism in Lebanese government, agree on a system of power-sharing that would redistribute many of the Maronite president's responsibilities among the council of ministers. Parliament would then elect a president.

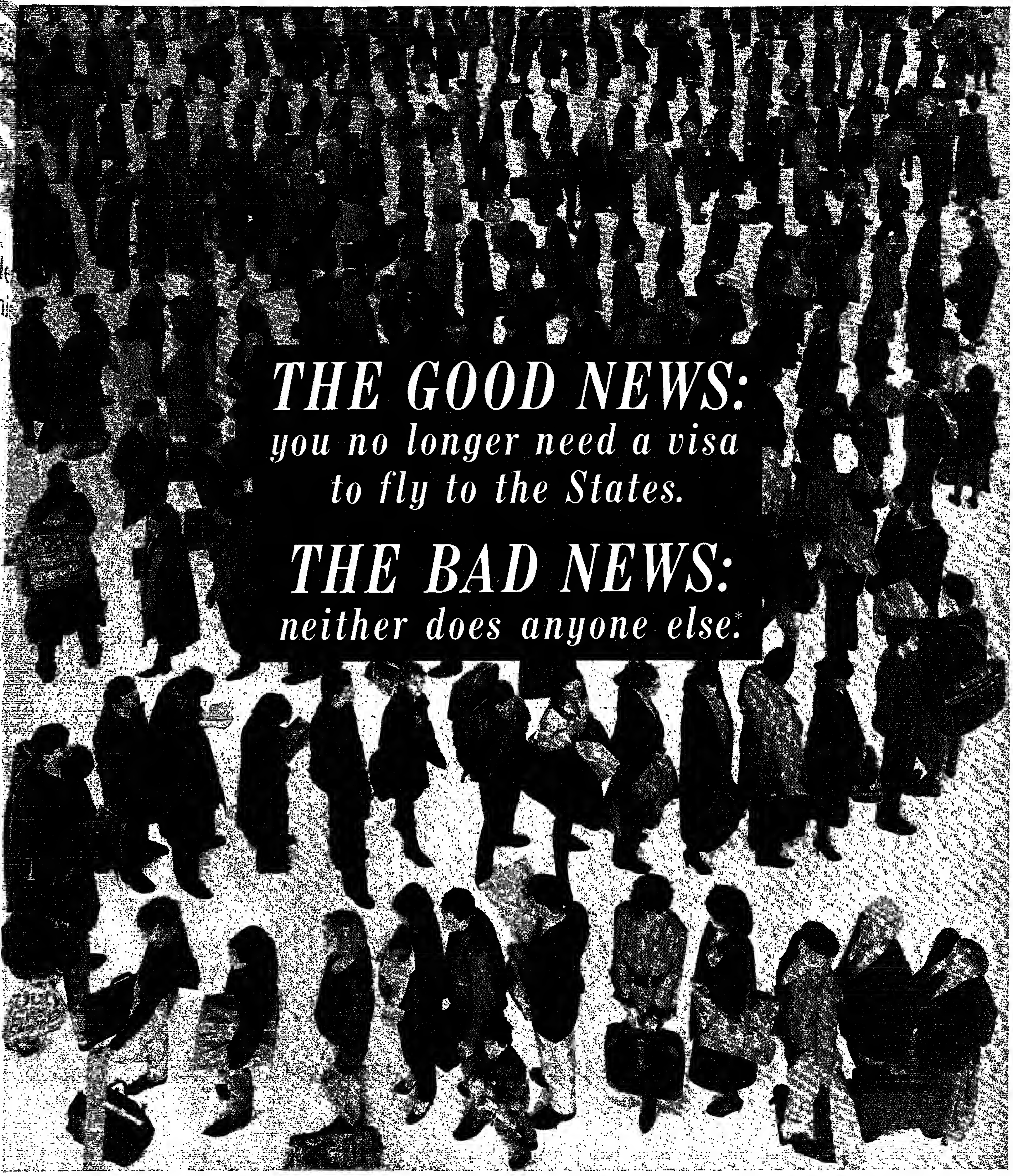
"Immediately before, the parliament would have to vote to eliminate the two governments – I mean me and Aoun," Al-Hoss says. His formula for restoring a single Lebanese government has won favour with members of the Arab League and with Western ambassadors in Lebanon.

It may yet take more international intervention to reverse Lebanon's latest crisis and the preferences of the two premiers reflect the historical alliances of their communities. While Lebanon's moslems found a natural ally in Syria, the Maronite community has traditionally allied itself with the West, particularly France.

Gen Aoun would prefer United Nations troops to Arab League observers. But Al-Hoss responds to critics of the April 28 Arab League ceasefire agreement by saying that the first priority is to stop the shelling which has now killed more than 350 people.

He asks why the Lebanese should place more confidence in the UN than in the Arab League when 11 years have passed since the UN vainly demanded an immediate Israeli withdrawal from southern Lebanon.

Although the economist and the artillery general agree on little else, neither of them is prepared to accept partition. That, at least, is a starting point.


THE GOOD NEWS:
you no longer need a visa
to fly to the States.
THE BAD NEWS:
neither does anyone else.*

# Bush to seek arms for Cambodia

By Lionel Barber in Washington

IN a major policy shift the Bush administration intends to seek congressional support for supplying rifles and other light arms to the non-Communist resistance in Cambodia.

By arming the resistance, the US wants to strengthen the hand of its leader, Prince Norodom Sihanouk, in negotiations with the Vietnam-backed government in Phnom Penh and the Chinese-backed Khmer Rouge, an administration official said yesterday.

The administration believes the decade-long conflict in Cambodia is moving towards a decisive phase following Vietnam's announcement that it will withdraw all its troops by September 30. The US now intends to send an unequivocal signal to China, the Soviet Union and their clients, that the US has an interest in the outcome in Cambodia.

The decision to arm the resistance comes after years of extreme caution in Washington following the US defeat in Vietnam. The legacy of defeat still lingers, highlighted recently by congressional opposition led by Senator Claiborne Pell, chairman of the Senate Foreign Relations committee, to the supply of lethal aid to the Cambodian resistance.

Senator Pell's public opposition dismayed Prince Sihanouk – who is also head of an anti-Vietnam coalition which includes the Khmer Rouge – because he was engaged in negotiations on a Cambodia settlement with Prime Minister Hun Sen of the Phnom Penh government. The State Department argued that it weakened his hand and made it even more difficult for him to break with the Khmer Rouge, who were responsible for genocide in Cambodia in the late 1970s.

Prince Sihanouk is about to resume a new round of negotiations with Hun Sen in Paris next month, which the US hopes will lead to an interim government in which the Khmer Rouge is not dominant.

The US already supplies "non-lethal" aid to the non-communist guerrillas, but the amount is little more than $5m a year compared with the $600m which the Afghan resistance is reported to have received at the height of its struggle against the Soviet occupying forces.

US officials are aware that the heavily-armed Khmer Rouge poses a threat to Prince Sihanouk's forces. However, they declined to reveal the timing of the supply of US arms, which is subject to Congressional approval.

# Battle lines are drawn in Rosario

## Gary Mead reports on an Argentine city divided against itself

A HANDFUL of young national guardsmen flagged down the car on the southern route into Rosario. It was 8pm, it had been a long day, and they were jumpy. The triggers on their semi-automatic rifles were cocked. They had just been shipped into Rosario, Argentina's third-largest city, on the second full day of rioting.

"You can't go down here, it's blocked off to stop anyone getting to that supermarket over there. It's one of only two that hasn't been looted yet, and we're going to make sure it isn't."

At 6pm on Tuesday Rosario, a city of over 1m people, looked like a ghost town. Every shop that had not been smashed in the preceding days had its shutters clamped down. As dusk fell the few people left on the streets scurried inside their homes.

But the idea that there is a strictly enforced curfew is mistaken. Although gatherings of more than two are theoretically banned, it depends on who you are.

Dotted around the poorer suburbs of the city groups of anxious and angry middle-class citizens collected during the night, directing roving convoys of police and national guardsmen to local trouble-spots.

At 10pm one such convoy sped past a central crossroads. Seven vehicles, all with their number plates removed and led by a white pick-up truck, were loaded with heavily armed national guardsmen and provincial police. They all wore large white scarves across their faces. The Renault police cars had their identifying insignia hidden by white paper, hastily stuck down with tape. If they were to kill that night, anonymity was the battle-order.

Argentine uniformed and plainclothes police arrest a looter

On the edge of one of the worst shanty-town districts a group of 20 well-dressed civilians had assembled near a police station. Each carried a loaded shotgun. "We have to defend ourselves against those 'blacks' from the slums. The police aren't doing anything. We're not going to have our homes destroyed. Now they're looting people's houses."

The 30-day national state of emergency has done little to cool tempers in Rosario, which is 312 km north of the capital Buenos Aires on the river Plata. A real social breakdown has swiftly overtaken the initial looting hysteria. The authorities have banned petrol sales but one garage owner agreed to sell a few litres.

His view, that of a businessman whose livelihood is threatened, was simple: "There are about 100 supermarkets in Rosario and only two are left untouched. Those who have money now cannot buy food – there's none left. The police have to shoot a few hundred of the sons of bitches, that would stop them."

Driving through barricades of cement blocks and burning tyres criss-crossing the narrow, ill-lit streets, a small group of men and women stood next to a totally smashed supermarket. On the pavement a huge pile of pulped groceries was already beginning to rot.

"They talk about ultra-leftist agitators but it's just hungry people. Of course there are opportunists involved but this is all about five years of bad government. I'd sooner see the military back than this – at least you could walk the streets safely at night." They scattered as a police convoy appeared on the horizon.

Driving out of Rosario a policeman flagged the car down. "What's happening in there? We don't have any idea what's going on." On the radio the news came through: "Thousands of shanty-towners are heading into the city to take over the shops. Police say stay off the streets or risk being shot."

# Mexico in deal on $2.5bn public sector debt

By George Graham in Paris

MEXICO has reached an agreement to reschedule some $2.5bn of public sector debt in talks with the Paris Club, which groups creditor governments.

Mr Angel Gurria, Undersecretary for International Financial Affairs, completed the agreement late on Tuesday night, and flew on to New York for talks with commercial bank creditors.

The agreement, which follows a $1.8bn debt restructuring agreed with the Paris Club in 1986, provides for debt repayments due between June this year and June 1992 to be rescheduled over 10 years, with a six-year grace period.

A Paris Club statement said the settlement followed Mexico's agreement with the International Monetary Fund last Friday on an enlarged access facility, together with compensatory finance designed to make up for the fall in the price of the country's oil exports, totalling $4.1bn.

Mexico, with external debt of $107bn, is the second most heavily indebted nation after Brazil, and is the leading candidate for a new approach to the debt problem along the lines proposed by Mr Nicholas Brady, the US Treasury Secretary.

The Paris Club earlier this week reached agreement with the Philippines on rescheduling some $2.2bn of public sector debt, again over a period of 10 years with six years grace. The Philippines, too, were granted an enlarged access facility by the IMF last week.

Guyana, Cameroon and Costa Rica all reached rescheduling agreements with the Paris Club last week. While Cameroon and Costa Rica agreed to restructure payments over 10 years, Guyana was able to obtain a rescheduling over 20 years.

The country had been accumulating arrears both with its commercial creditors and with the IMF, but the Paris Club noted its efforts to clear these arrears and to set up an economic programme for 1989 under the supervision of the IMF.

# 'Red Pepper', champion of America's elderly, dies

By Lionel Barber

CONGRESSMAN Claude Pepper, the champion of the elderly who died at the age of 88, will today lie in state in the Capitol Rotunda in Washington, an extraordinary tribute to one of the most enduring political figures this century.

Mr Pepper began his political career in the 1930s as a passionate supporter of President Roosevelt's New Deal. His conviction that the state had a role to play in the economy and in the health care of its senior citizens distinguished him from most other American politicians and remained a consistent belief throughout his life, his liberal politics earning him the nickname "Red Pepper".

He was an early advocate of American intervention in Europe against Hitler's fascism, and as a Democrat Senator, he sponsored the lend-lease legislation that aided Britain before US entry into World War II – though after the war he described Stalin as "a man Americans can trust".

A native of Alabama, Claude Denson Pepper was the son of a sharecropper. He financed his own education at the University of Alabama, working as a steelworker and boiler operator, before enrolling at Harvard Law School. In 1925, he moved to the small lumber town of Perry, Florida where he practised law.

After serving as a state congressman, he entered the US Senate in 1936, when both Florida senators died and he filled a vacancy running unopposed. He lost his seat in 1951 after being dubbed soft on communism in a bitter Democratic primary election. "I never knew what hit me," Mr Pepper later wrote in his memoirs.

He returned to Washington as a Congressman for the Miami district, and soon proved he could play hardball too. As chairman of the Select Committee on Ageing between 1977 and 1983, he literally "peppered" his colleagues with initiatives on the aged, eliminating age as a factor in compulsory retirement for most federal employees and increasing from 65 to 70 the age-limit in the private sector.

He became known as "Mr Social Security" for his outspoken defence of Social Security and Medicare. In 1983, he played a key role in restoring the Social Security system's solvency, but to his regret, the 100th Congress failed to enact his comprehensive Catastrophic Health Care for the elderly. In one of his final interviews, he said he never thought of death. He remained an almost indestructible figure, an American folk-hero.

# US manufacturing orders reverse weak trend

By Anthony Harris in Washington

CIVILIAN ORDERS for US manufactured goods rose 3.6 per cent in April, sharply reversing the weak trend of the previous three months, the Commerce Department reported yesterday. Total orders rose by 2.7 per cent, despite a fall of 15.8 per cent in orders for heavy defence equipment. Shipments also rose, by 2.4 per cent, the first increase since January.

It was also announced that the index of leading indicators rose by 0.3 per cent in April, largely reversing the fall of the previous two months.

Taken together, the new figures support recent claims by the Administration that despite a slowing down of US growth, the underlying tone remains strong, with no apparent danger of a recession in the near term.

Manufacturing growth was led by durable goods, up 3 per cent, with growth shared among all industry groups apart from fabricated metals. Non-durables rose more slowly, up 2.4 per cent, with nearly half the increase accounted for by oil refining.

This pattern reflects the structure of demand, with growth led by exports and investment. Exports are growing at an annual rate of more than 20 per cent, according to the trade report for the first quarter. Civilian orders for capital goods rose 6.1 per cent in April. Consumer demand has been subdued in real terms, despite some recovery in April.

Unfilled orders for manufactures rose by $5.9bn, or 1.2 per cent, advancing for the 26th successive month. The increase was much stronger than in recent months. Inventories rose by 0.6 per cent, about in line with the underlying growth in output.

The rise in manufacturing orders was the strongest factor contributing to the recovery in the leading indicators. A recovery in building permits and in the average workweek, a fall in unemployment claims and some slowing in deliveries also boosted the index, with smaller contributions from plant orders and order books.

# US requests Khashoggi extradition

By William Dullforce in Geneva

THE US yesterday formally asked Switzerland to extradite Mr Adnan Khashoggi, the Saudi Arabian businessman arrested in a luxury hotel in Berne on April 18 at US request.

A 243-page document delivered to the Swiss Federal Police by the US embassy detailed charges of fraud, racketeering and obstruction of justice, on which US justice wants Mr Khashoggi to stand trial. Mr Khashoggi, 54, has been held in a Swiss jail since his arrest.

The US alleges that he assisted Mr Ferdinand Marcos, former president of the Philippines, and Mr Marcos's wife Imelda in illegal property and financing deals after the pair fled their country in 1986. An indictment by a US attorney claims that the former billionaire helped the Marcoses to hide purchases of property and works of art valued at more than $100m, allegedly bought with funds belonging to the Philippines Treasury.


**TARMAC QUARRY PRODUCTS**

**Principal Activities:**

Crushed rock · Railway ballast · Sand and gravel · Sea dredged aggregates · Crushed slag · Lightweight aggregates · Ready mixed concrete · Mortars · Waste disposal · Electricity from land-fill gas · Bitumen coated materials (black top) · Road surfacing · Industrial powders · Glass stone · Sugar stone (for sugar refining) · Bagged construction materials.

**TARMAC AMERICA**

**Principal Activities:**

Tarmac Virginia, including North and South Carolina. Ready-mixed concrete · Crushed stone · Sand and gravel · Concrete block · Concrete pipe · Cement production · Cement sales.

Tarmac Florida. Ready-mixed concrete · Crushed stone · Sand and gravel · Concrete block · Cement production · Steel reinforcing fabrication · Resale of building materials.

Tarmac California. Ready-mixed concrete · Sand and gravel · Asphalt · Highway, concrete and drainage system contracting.

Tarmac Texas. Ready-mixed concrete · Crushed stone · Sand and gravel.

**TARMAC HOUSING**

**Principal Activities:**

Tarmac Housing Division – the largest housebuilder in the UK – 23 companies involved in private enterprise housing in the United Kingdom and the United States of America.

A growing involvement in the regeneration of the inner cities.

**TARMAC INDUSTRIAL PRODUCTS**

**Principal Activities:**

Bitumen roofing materials · Damp proof courses and waterproofing solutions · Roofing and cladding contracting.

Fire protection.

Architectural building components.

Refining of bitumen · Manufacturers and contractors of waterproofing materials in Continental Europe.

Manufacturers and installers of one of Europe's largest range of commercial and industrial doors and shutters.

A major United Kingdom bitumen producer processing over 800,000 tonnes of crude oil annually in refineries at Dundee and Ellesmere Port.

**TARMAC CONSTRUCTION**

**Principal Activities:**

Construction management and design-build development · Refurbishment and urban regeneration · Major building and civil engineering in the UK and Overseas.

Funding and private finance · Housing modernisation · Interior design and implementation · Structural investigation, repair and protection · Specialist recruitment services · Plant hire · Business development and innovation.

A member of the Transmanche Link Joint Venture.

**TARMAC BUILDING MATERIALS**

**Principal Activities:**

Facing bricks · Clay roofing tiles · Quarry tiles.

Concrete block · Lightweight dense and aircrete.

Concrete prestressed flooring · Concrete bridge beams · Concrete frames and staircases.

General concrete products · Kerbs and flags · DIY concrete products · Sea and river defence products.

Natural stone and cladding.

**TARMAC PROPERTIES**

**Principal Activities:**

A major United Kingdom commercial, industrial and retail developer.

A development portfolio in hand of work in excess of £750 million.

A leader in major urban regeneration projects in London, Birmingham, Cardiff and Swindon.

Principal developer of business and technology parks in Birmingham, Cardiff, Warwick, Bracknell and Swindon.

Principal developer of retail and office schemes in London, Leeds, Guildford, Oxford, Reading and St. Albans.

**Tarmac Group**

Tarmac PLC, Hilton Hall, Hilton Lane, Essington, Wolverhampton WV11 2BQ.
Telephone 0902 307407.

**TAKE A CLOSER LOOK AT TARMAC FOR DIVERSITY AND DEPTH**

## WORLD TRADE NEWS

# US and EC to start talks on easing path to 1992

By Peter Norman in Paris and Nancy Dunne in Washington

US and European Community officials are to meet in Brussels to iron out difficulties over the technical regulations and industrial standards that US products will have to meet in order to compete in the EC single market after 1992.

Mr Robert Mosbacher, the US Commerce Secretary, said yesterday the two sides had also agreed that "principles of openness and transparency" should apply in the area of testing and certification of products.

Under the agreement, US products imported into the EC would have the same access to testing and certification procedures as domestic EC products. It was also agreed to begin discussions on possible negotiations to ensure mutually recognised arrangements for product safety and quality.

Mr Mosbacher said: "The issue of how standards will be set and what they will be is a top concern of the American business community about 1992. With this agreement to establish a dialogue, we have made significant progress towards easing that concern."

Robert Mosbacher: progress on easing business concern

On Tuesday, the Secretary and Mr Martin Bangemann, EC Commissioner for internal Market and Industrial Affairs, agreed that imports would have the sama access to testing and certification procedures as domestic products.

Meanwhile, the House Foreign Affairs Committee yesterday released a report on 1992 which warned: "Protectionist pressures in Europe are causing EC policymakers to include negative provisions in the 1992 plan."

Specifically, the report criticised the barring of American companies from the meetings of the Community'a standard setting bodies, CEN and CENELEC. This could allow Community companies to set standards discriminating against imports while also giving EC companies significant advance notice to adapt to the new standards "while US firms wait for word," the report said.

The report expressed concern that in standard setting EC negotiators would "harmonise up" to the most stringent rules of individual nations. "A US telecommunications firm which previously was denied access to the West German market because of a tough standard could now be shut out of the entire European Market," it said.

Local content and rule of origin restrictions, while aimed primarily at Asian companies, would rebound against American components, according to the report.

# BAe offers Saudi offset deal

By David White, Defence Correspondent

AN ALUMINIUM smelter in Saudi Arabia that could export supplies to Britain is one of two joint ventures proposed by British Aerospace as part of a £1bn economic offset programme linked to UK defence sales to the kingdom.

Also under study is a missile engineering facility for maintaining and upgrading weapons for the Saudi military.

It is hoped that the plans will set the pace for a series of investments involving other UK partners. A second Saudi-UK seminar aimed at stimulating interest in the offset programme was being held in Jeddah yesterday.

The UK Ministry of Defence has come under pressure from companies participating in the defence deal to give a higher public profile to the offset programme, the framework for which was agreed last November, in view of the importance attached to it by their Saudi clients.

The seminar coincides with this week's visit to the UK by Prince Sultan bin Abdul Aziz, the Saudi Defence Minister, who was due to meet Mrs Margaret Thatcher, the Prime Minister, last night. The UK-Saudi arms deal has recently been the object of UK press allegations about improprieties.

BAe, prime contractor for the two-stage arms deal, estimated to be worth more than £15bn, recently began discussions on the two ventures with the governmental Saudi committee overseeing the Saudi side of the programme.

The British Offset Office at the MoD said it had formally presented the proposals to the Saudis.

Other companies including GEC and Rolls-Royce have been actively investigating possible ventures.

The smelter project would involve BAe in collaboration with a major international aluminium producer and the Alujain Corporation, set up by a group of Saudi investors.

The missile facility would be set up by BAe and Dowty Rotol, an aerospace subsidiary of the Dowty group, with an as yet undecided Saudi partner.

The £1bn target is 25 per cent of the calculated UK stake in new equipment supplied under the arms deal. It covers the share for which UK investors would be responsible, including borrowings. The total investment programme, counting the Saudi share, would be twice as large.

UK and Saudi private investors, on an equal basis, would jointly put up a quarter of the funds for any project in equity. Between them, they would receive 50 per cent of the finance from the Saudi Industrial Development Fund, with the remainder coming from commercial loans.

# Japanese retailer to import US fridges

By Ian Rodger in Tokyo

A LEADING Japanese home appliance retail chain is to import large refrigerators from Sears Roebuck in the US.

The deal, although modest, indicates how the Japanese market is gradually opening to foreign products.

Because of their large bulk in relation to value, refrigerators are not normally a successful item in international trade. The fact that a Japanese retailer, Dai-ichi Katei Denki, is importing them suggests that the revaluation of tha yen and the removal of luxury taxes on appliances has mada their cost irresistibly low.

Meanwhila, retail prica maintenance in the Japanese market is still strong enough that the company can charge handsome prices for them. It is to sell three models of Sears' Kenmore refrigerators, ranging from 406 to 614 litre capacity, for Y200,000 ($1,400) to Y800,000.

That sort of potential has apparently been enough to break down the notoriously strong resistance of Japanese retailers of electrical products to imports. Most retailers depend heavily on the huge Japanese manufacturers, such as Matsushita and Toshiba, and are reluctant to be disloyal to them. Dai-ichi Katei Denki said yesterday that in 30 years in business it had hitherto offered only Japanese goods in its 196 stores.

Dai-ichi sees a market for big fridges developing because of the increasing affluence of Japanese consumars. Until recently, few families had enough space in their homes to instal a large, American-style fridge, but the company believes enough people now have big homes.

The deal is also something of a commentary on the technological status of Japan and the US these days. The Dai-ichi official said the company had looked hard for big fridges before deciding on US models. "For high tech products, Japanese makers are better, but there is still a need for ordinary fridges, and the ones made in the newly industrialising countries were not suitable."

# Moscow revives Cairo trade links

## A visit by a Soviet minister has revitalised relations soured after Sadat's swing to the West a decade ago, reports Tony Walker

THE RUSSIANS are returning to Egypt in strength, reviving a long-dormant business relationship that fell foul of the late President Anwar Sadat's determined about-face to the West in the early 1970s.

At the ornate former palace on the Nile that serves as the Soviet headquarters for trade and economic co-operation, an official confided that he and his comrades, used to quieter times, were still weary after the visit to Cairo last month of Mr Konstantin Katushev, the Minister for Foreign Economic Relations.

Mr Katushev presided over the first session of a new intergovernmental group that worked on a five-year agreement aimed at increasing two-way trade and economic and technical co-operation. Trade this year will be worth about $1bn.

"From the era of Sadat to Mubarak we have a process of stabilisation and improvement in the relationship," said a Soviet trade official. "Not only in the realm of politics, but also in trade and economic relations as well."

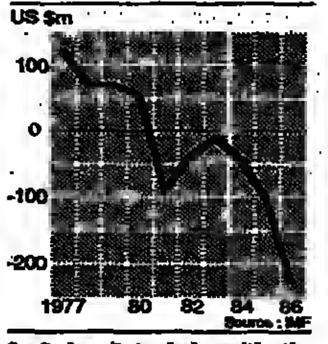
The five-year agreement, which replaces a three-year trade protocol signed in 1987, is seen as forming the basis of a sounder long-term relationship that will involve the Soviets more directly in new Egyptian projects, and in the refurbishment of existing Soviet-supplied industries. "We are resuming the practice of long-term trade agreements typical of the Nasser period," said an official.

The Russian return to debt-burdened Egypt, increasingly starved of Western credits, is being "sweetened" by offers of financial assistance through a special sterling clearing account used to denominate commercial dealings between the two countries.

Under this system goods and services are "exchanged", using sterling as the rate to calculate the value of business. Egypt supplies raw materials such as cotton, cotton yarn, and foodstuffs for Soviet-manufactured spare parts, machinery, and timber. Trade in the past 10 years has grown from about $400m to $1bn now.

The Soviet offer of a £120m "soft loan" to help with the construction of a 640 megawatt power station at Ayun Musa in the Sinai Desert (Japan and Britain had expressed interest in financing the project) is merely one indication of an expanding business relationship. Another is the £100m expansion of the Helwan Iron and Steel Works south of Cairo, from a capacity of 1m tonnes annually to 1.5m tonnes in the first stage.

**Egypt's trade balance with USSR**




Other projects include a £10m expansion of a factory at Helwan for manufacturing fire-proof bricks for use in blast furnaces, a £30m new glassmaking plant to be built near Cairo, the £30m construction of a fourth coke battery at a plant in Helwan, and a £10m modernisation of an existing glass factory in the Cairo suburb of Shoubra.

Mr Katushev also reviewed with the Egyptians a range of new projects that might attract Soviet involvement. These included a 560km gas pipeline in the Western Desert, an extension to the Cairo Metro, whose first stage was built by the French, and participation in the exploitation of a big phosphate deposit in the New Valley in the Western Desert.

Also under discussion were the installation of a new aluminium rolling line at the Nag Hamadi smelter in Upper Egypt, and the establishment of a 430 megawatt thermal power station at the site. Other projects under review included the construction of a pulp and paper plant for packaging and a further expansion of the Helwan Iron and Steel mill to a second stage capacity of 3m tonnes a year.

A Soviet official said a number of "very raw projects" were also being considered, and in some cases Soviet experts would be undertaking feasibility studies. These projects included a large metallurgical plant and the expansion of an existing chain and forgings plant that was built by the Soviet Union among about 40 industrial plants that it supplied in the era of close economic relations between 1958 (the year of the first Economic Co-operation agreement) and 1974 when Mr Sadat turned towards the West.

The Soviet-Egyptian trading mechanism would seem to be tailor-made for increased business between two countries starved of hard currency. "The Egyptians are interested in saving hard currency through payment in commodities," said a Soviet official, "and you know our market is enormous. We can accept a lot, and we need a lot."

Most Egyptian-Soviet trade is covered by protocols negotiated annually which establish items and amounts to be traded. But outside these protocols, and accounting for about 20 per cent of two-way business, are barter deals negotiated on top of the existing agreements.

From Egypt's point of view, a limitation on its business relationship with the Soviets is undoubtedly a concern that it might end up with a lot of equipment that is inferior to items available in the West. In the case of the Ayun Musa project, for example, Egypt's Ministry of Electricity has specified that the boilers, which will account for more than 30 per cent of the cost, cannot be Soviet supplied. Soviet boilers do not meet Egyptian standards.

From the Soviet standpoint, an irritation is the artificially low rate of exchange for the Egyptian pound against sterling that Egypt uses to calculate the value of its exports. In January, it lifted the rate to E£1 to £3 from E£1 to £2, a significant improvement, but still well below the market rate of E£1 to more than £4.

The Soviets are also not anxious, and indeed cannot afford these days, to get involved in large-scale aid projects in competition with the US which is providing about $2bn in civil and military aid to Egypt annually. Soviet officials say their interest is in expanding commercial ties. "Our idea is to increase the volume of our business," said an official, "and also to extend the scope of our economic co-operation."

# Norway forecast to sell more gas to West Germany

NORWAY'S share of natural gas supplies to West Germany will grow from 15 per cent to about 25 per cent, Dr Klaus Liesen, chairman of Ruhrgas, the West German gas distributor, said yesterday, Karen Fossli reports from Oslo.

Dr Liesen told the Fifth European Gas Conference in Oslo that by the turn of the century the Dutch share of the West Germany market would fall from 44 to 40 per cent, with the Soviet share unchanged at 30 per cent.

Norway is to supply West Germany from the [illegible] Sleipner field which is to start production in 1993. The contract also covers development of the much larger Troll field by 1996.

Mr Liesen warned that primary energy consumption in West Germany could decline. But the biggest challenge to Norwegian gas exports was Bonn's policy of protecting domestic coal production. Mr Liesen said: "It is generally agreed in West Germany today that a pruned hard-coal industry should continue to make an important long-term contribution to energy supplies. In this light I believe a realistic strategy of the West German gas industry cannot include expansion of gas sales for power stations at the expense of domestic hard coal." This is the market which Norway is seeking to penetrate.

# Threat of national dock strike hits port business

**By Jimmy Burns, Labour Staff**

BRITISH ports have begun to lose trade as ship companies divert cargo in anticipation of a national docks strike which Britain's largest union, the Transport and General Workers' (TGWU) is expected to enforce within the next week.

The ports include Tilbury (London), Southampton, Liverpool, and Sheerness in Kent, some of the main ports registered under the controversial Dock Labour Scheme, which guaranteed dock workers a job for life.

It was tha Government's announcement on April 6th that it was abolishing the scheme and the subsequent announcement by employers that they were abolishing national collective bargaining that led to the current dispute.

Some of the trade normally handled by these ports is being diverted to non-scheme British ports, while other cargoes are being transported via Continental European ports. As yet the financial impact on ports which have lost trade appears to have been minimal although some port employers were warning last night that the situation would change if the threatened strike lasted several weeks.

Ports covered by the Dock Labour Scheme handle about 70 per cent of non-oil trade by volume and about 47 per cent of trade by value.

In the port of Sheerness, one of the main importers of fresh fruit, one senior manager said last night that one major customer had diverted a cargo of 18,000 tonnes to a port where dockers were not employed under the Dock Labour Scheme and another was set to follow.

Other uncontainerised cargo such as forest products, which are normally stacked for several days in the port, have been cleared.

In Southampton, the local port authority reported yesterday its main container terminal was "virtually empty", while a ship due to bring in cargo today has decided to anchor away from the main berth to await developments.

Movement of imported cars out of the port have also experienced a noticeable increase after what officials called a "very busy weekend."

The Court of Appeal in London will today hear an appeal from port employers against last weekend's High Court decision that the TGWU strike call is not unlawful.

There was widespread expectation both among employers and union officials last night that a strike was now virtually inevitable after the National Association of Port Employers yesterday again rejected a call from Mr Todd to negotiate a new national agreement covering terms and conditions.

Port employers are calling on the TGWU to lift its ban on local negotiations at scheme ports but insist that they see no advantage in agreeing to talk at national level.

# Youth takes a sober view of modern life

**By David Churchill**

LAGER LOUTS, as the newspapers have dubbed drunken young hooligans, are a figment of the media's imagination, suggests a survey published yesterday from, not surprisingly, a lager company.

The survey, commissioned by Miller Lite, the US beer brewed by Courage in the UK, shows that Britain's youth are a sober lot in both their drinking and lifestyles.

Just four cans of lager is typically bought each week from an off-licence or supermarket, says the survey of 1,500 young adults carried out by Gallup last month.

Instead, the picture unveiled by the researchers suggests that modern youth in Mrs Thatcher's Britain are sensible, responsible, and pretty much interested in preserving the status quo.

Drugs also do not form part of the lager generation's lifestyle, suggests the survey. Three out of four surveyed believe that even soft drugs such as cannabis should not be legalised, while the same proportion think the police do a good job.

Some 87 per cent of the survey also told the interviewers that a loving relationship was more important than sex.

Young people are also predominantly 'green' – two-thirds support moves to convert more cars to lead-free petrol – although the survey shows the young are also determinedly apolitical.

The survey shows doctors and teachers are most admired and estate agents least.

# Union paves way for end to block vote

**By Michael Cassell, Political Correspondent**

PLANS to end the dominant role of the trade unions in Labour party policy-making, which are understood to have the broad backing of Mr Neil Kinnock, the Labour leader, will be unveiled at next week's annual conference of the GMB general workers' union.

The proposals, from Britain's third-largest union, could be implemented in time for the next general election and are regarded by their supporters as a critical ingredient in Labour's bid to regain power.

Mr Kinnock said last month he wanted to see an end to the union block vote, which the leadership believes gives a damaging image of a party almost wholly answerable to the unions.

At present, the trade unions command almost 90 per cent of the votes at the party's annual conference. Under a plan favoured by Mr John Edmunds, the GMB general secretary and a close colleague of Mr Kinnock, they would have no more influence than local constituency parties.

Kinnock: 'step-by-step plan to democratise the party'

The GMB intends to use Labour's autumn conference to call for a 12-month review of the party's policy-making machinery. Then the unions would be expected to use their block vote to end the system which has given them their dominant role in shaping Labour policies.

The Labour leadership, together with some union leaders, appear confident that such a radical shift in the traditional power structure of the party will win majority support, given the shared determination to avoid a fourth general election defeat.

Mr Kinnock would preferably like to see the changes implemented in time for the next election, enabling him to claim that his step-by-step programme to democratise the party was complete. At the very least, he would want the changes approved and underway before the election.

A discussion document to be published during the GMB conference at Brighton, south England, claims that Labour's present policy-making system, based on votes taken on conference motions and amendments, is unrepresentative and confrontational.

The union says that the party's annual conference should instead represent the final phase of the policy process. Policy development would be the responsibility of an expanded National Executive Committee, to include government representatives, as well as MPs and trade union officials. Mr Kinnock is thought to have doubts about a larger ruling body, although he might support the plan if it included a smaller, "inner executive."

The GMB spells out three options for changing the voting structure but Mr Edmunds is known to back a plan that would involve the creation of "two houses", representing unions and other affiliated organisations, and a constituency party section. Policy would have to be passed by both sections to be valid.

# Younger backs 'war-free' vision

**By Philip Stephens, Political Editor**

MR GEORGE Younger, Britain's defence secretary, yesterday underlined the Government's determination to strive for a "war-free" rather than a "nuclear-free" Europe after this week's Nato summit.

Speaking during the Vauxhall by-election campaign in South London, Mr Younger said that the summit agreement on a conventional arms reduction initiative and on the modernisation of short-range nuclear weapons was a vindication of the Government's defence policy.

He emphasised that the Alliance had stuck with its policy of both nuclear deterrence and of flexible response to any attack from the Warsaw pact.

He also emphasised that the compromise agreed at the summit provided only for negotiations with the Soviet bloc on the "partial" elimination of short-range nuclear weapons – and then only after successful talks on conventional weapons.

It is accepted in Whitehall that the agreement – designed to bridge the divide on the issue between Britain and West Germany did involve a significant shift by Mrs Margaret Thatcher, the Prime Minister. She would have preferred that no commitment to negotiations on short-range missiles, and a firmer timetable for modernisation.

There is also private concern that if negotiations on the short-range weapons do eventually begin, then there will be immediate pressure from both Moscow and Bonn to aim for their complete elimination.

Yesterday, however, Mr Younger offered an upbeat assessment of the outlook, arguing that Nato's strength and unit had allowed it to set the arms control agenda.

# Gas project approved

ATLANTIC Richfield (Arco), the US oil company, yesterday received government approval for a £94m gas development of the Welland North and South fields in the southern North Sea, writes Steven Butler.

Arco plans unmanned facilities consisting of sub-sea wells feeding gas through underwater pipelines to an unmanned platform operated by remote control.

The fields, about 50 miles off the East Anglian coast contain 300bn cu ft of gas. Production is expected to start in 1990 and continue for 10 years.

# Tories move to calm Heath row

MR PETER BROOKE, the Conservative Party chairman, moved yesterday to play down Mr Edward Heath's dispute with Conservative Central Office over his allegations of a dirty-tricks campaign in the approach to the European Parliament elections, writes Richard Donkin.

The row, which widened the gulf between the former prime minister and the party leadership, arose when Mr Heath said Conservative Central Office was trying to gag him during the European Parliament election campaign by persuading local parties to withdraw invitations for speaking engagements.

Mr Brooke, who denied the accusations, said yesterday that most of the differences between Mr Heath and the party office had been ironed out in an amicable telephone conversation.

Mr Brooke said: "Organisational analysis by megaphone was not the best way of conducting our affairs." He said that any of Mr Heath's election engagements which had been cancelled were restored.

Mr Heath, speaking to businessmen in Geneva, said Britain had joined the Community to play a full and effective part in international affairs. "The major disappointment of our time in the Community is, however, our failure to assume the leading role expected of Britain at the outset."

# Government tables amendments to water privatisation

**By Richard Donkin**

THE UK Government has tabled amendments to the controversial Water Privatisation Bill to ensure customers benefit from any sale of surplus land and giving sale preference on land of outstanding natural beauty to amenity organisations such as the National Trust.

The amendments will ensure most of the profits from land sales are passed on to the consumer through lower water charges by linking the sale of surplus land to the proposed price control mechanism for the water industry using the so-called K factor, a regulatory figure that has yet to be decided.

They were welcomed last night by the conservation lobby. The Campaign for the Countryside said the amendments prevented water companies hiving off land to subsidiary companies unrestrained by environmental concerns or duties.

Mr Michael Howard, the water minister, announcing the changes yesterday, said the amendments meant any future disposal of protected water company land would require the secretary of state's consent.

He would be able to insist land in national parks and areas of outstanding natural beauty was first offered to a conservation body at market prices or that, in the event of a sale in the private sector, particular features, such as rights of access, were protected by management agreements or covenants. The same duty would apply to surplus land that was not put on the market.

The Government is presently calculating how much of the 435,000 acres of land under control of the 10 water authorities in England and Wales should be declared surplus to requirements. Independent valuations are being sought at the same time.

The changes will go some way towards removing any romantic notions among City speculators that the privatised authorities will be able to emulate British Aerospace, the UK aircraft manufacturer, which stands to make large profits developing undervalued factory sites from its purchase of Royal Ordnance.

Mr Jack Cunningham, the Opposition Labour Party's environment spokesman said he remained "deeply sceptical" about their range and implications, he said: "They will do nothing to improve the confidence of the City in the privatisation of our national water assets."

# Law reform plan 'meant to save money on justice'

**By Robert Rice**

GOVERNMENT proposals for reform of the legal profession were motivated by the Treasury's desire to save money on the administration of justice, Lord Ackner, a senior Law Lord, said yesterday.

He told a joint conference in London of the Adam Smith Institute, the right-wing think tank, and the Manhattan Institute for Policy Research that there was no other explanation for the Government's *volte-face* on reforming legal services.

The green papers, or discussion documents, which propose the merging of two branches of the legal profession – barristers, who have a monopoly on the rights of audience in court, and solicitors – had been produced in three months. It took the Royal Commission on Legal Services three years to produce exactly opposite conclusions.

The green papers identified no potential obstacles to the Government's plans. Yet no research had been done to test their consequences.

The Government adhered to the doctrine that the two branches should continue and it talked about the importance of a strong and independent Bar, the barristers' organisation, to the administration of justice. But it then proposed to remove every characteristic that made the Bar a separate profession, he said.

"The Treasury is clearly behind the Government's change of attitude. It has been concerned for some time about the millions being spent on legal aid and it is intent on reducing it," Lord Ackner said.



# Consumer group voices drink fears

THE Consumers' Association yesterday urged the Government to resist pressure from brewers over the Monopolies and Mergers Commission report which recommended a reduction in the number of brewery-owned pubs.

Which?, the association's magazine, expressed particular concern about the prices charged in pubs for soft drinks. It said charges were high and in some cases extortionate.

# Pressure mounts to choose buyer for Short Bros

By Michael Donne, Aerospace Correspondent

PRESSURE is increasing for the British Government to make a swift decision on the purchaser of Short Brothers, the state-owned Northern Ireland aerospace manufacturing group.

Both bidders – the consortium of GEC of the UK and Fokker of the Netherlands on one side, and Bombardier, the Canadian transport group on the other – are anxious for an early resolution of the struggle.

At the same time, trade unions, politicians and other groups in Northern Ireland are pressing the Government to settle the matter to allay the increasing uncertainties about the future role of Shorts in the industrial life of Belfast, the province's capital.

The unions favour a deal with Bombardier, the owner of Canadair, a leading aircraft builder in Canada which is anxious to acquire a foothold in the European aerospace industry.

Shorts is concerned at the delay in choosing a buyer, and claims the Government, which has received submissions from rival bidders since the end of April, has had more than enough time for a decision to have been taken.

The company stresses it will go to next week's Paris International Air Show in a state of uncertainty, unable to offer prospective customers firm commitments in relation to its future activities.

This applies especially to its plans for projects such as the FJX twin-engined regional jet airliner. Shorts does not know whether this airliner will survive, no matter which bid is ultimately successful.

This uncertainty is bound to deflect prospective customer interest in what could be one of the most significant aviation ventures undertaken in Northern Ireland.

Shorts, in common with most of the trade unions and other Northern Ireland industrial organisations, prefers the bid from Bombardier on virtually every count.

A statement earlier this week from the trade unions' factory committee in Short Brothers – "Keep Northern Ireland Flying Economically" – stressed its view that Bombardier represented the best option for the future of the company.

The union stressed that in meetings with Bombardier's top executives, the Canadians indicated a long-term commitment to keeping Shorts alive.

The statement said: "We have requested in writing on two occasions a meeting with GEC/Fokker. We have not, to date, even had an acknowledgment of our request. This is even more difficult to understand when one considers that Shorts have been a risk-sharing partner with Fokker for many years.

"We are very concerned that these two companies (GEC/Fokker) have not been prepared to meet us to discuss their future plans and we are still pressing for such a meeting.

"We wish to discuss our perception that their approach could lead to the break-up of Shorts and (whether) their short-term plans include a substantial reduction in employment."

# Blue mood hangs over the City of London

## The Bank of England sounds a note of caution about the future, says Richard Lambert

IN THE City of London, pessimism is the flavour of the month. In marked contrast to the buoyant mood of a year or two ago, there is concern that the advantages on which London's strength as a financial centre have been built are being slowly undermined.

One explanation for the gloom is that many City firms are losing their shirts at present. But there are other reasons for concern. The City's growth has depended crucially on the relatively liberal approach of the UK authorities to regulation and tax, and on the efficiency of its markets, especially when compared with its rivals in continental Europe.

Both these comparative advantages are now under attack.

The shifting prospects of London as a financial centre have been catalogued by the Bank of England in an internal study which was drafted earlier this year. Intended to be used for background briefing, the report is not being published generally but some copies have been sent out for discussion. There are no overall conclusions about the outlook: instead, the report looks at the potential threats to London's position and sets them in an international context.

The starting point is that the City is, if anything, more dominant as a financial centre in the European time zone than it was a decade ago, thanks in part to the abolition of exchange controls and reforms in the securities industry. Since the mid-1970's, the financial sector has grown much more rapidly than the rest of the UK economy, and its contribution to the balance of payments has risen sharply in real terms.

Perhaps the most important factor behind the growth of London is what the report describes as the cumulative effect over time of the external economies of scale – by which it means the mutual benefit arising from the concentration of financial firms in one location.

London has benefited over the years from its openness

What could change this trend? One possibility is that deregulation in other centres could draw international business back to other markets. One example would be the erosion of Glass-Steagall legislation which keeps commercial banks out of the securities business in the US. The report suggests that such a change would not have a very big impact on the scale of securities operations in London. More serious could be a loosening in US registration or "seasoning" requirements, whereby Eurobonds cannot be sold into the US before the end of a 90-day period. Reform of Article 65 – Japan's version of Glass-Steagall – could make Japanese markets more competitive and lead to some transfer of business to Tokyo.

Deregulation elsewhere in Europe will also have an impact on the City. For instance, the abolition of fixed commission rates in Paris is likely to lead to significant repatriation of French equity business that is now being done in London.

The Bank does not seem unduly worried that the new layers of supervision brought in by the Banking Act and the Financial Service Act will drive business away. There are some irritants on the banking side but the new regime of capital controls is likely, if anything, to be rather favourable to British-based banks.

Some of the potentially damaging features of the Financial Services Act are being amended.

Provided bureaucracy is held in check, the Bank thinks the Act could help London to be seen as a safer place to do business.

The development of the European internal market presents threats and opportunities. There would be an obvious threat to London's future role as a financial centre if a European central bank was established somewhere else. At a more specific level, a decline in demand for reinsurance is likely to be accentuated by the consequences of a freer market in the European Community. A trend towards mergers, already evident in France, would lead to bigger companies with less requirement for reinsurance – and raise questions about the future of the Lloyd's market.

UK insurance could, however, benefit from access to continental markets even though the advent of completely free trade, especially on the life insurance side, may still be far off. More generally, the UK also stands to gain business because City firms are price competitive; and, although London is an expensive place to do business, it is well up with the competition in terms of technology and communications.

The Bank finds little evidence that London has lost significant levels of business in the past year or two. The recent decline in interbank Eurocurrency business and the shake-out in equities, gilts and Eurobond trading mainly reflect an overall contraction of activity rather than being part of a move to other centres.

Much the most publicised loss has been the shift of fund-management groups to Luxembourg following the EC directive on collective investments. Elsewhere, there has been a slight downtrend in the number of authorised banks – down by 22 since 1983 – but this does not seem to have had much to do with a tougher regulatory climate in the City. The most that can be said is that some US banks have decided they could service their customers more cheaply through agents or correspondents than by maintaining their own presence.

One theme which runs strongly through the report is the extent to which London has benefited over the years from its openness to international firms, and from its liberal approach to capital movements and market structures.

Two policy considerations follow:

One is that attempts to exclude foreign firms because their own home markets are not open to outsiders should be avoided like the plague. The Financial Services Act, the Banking Act and several EC draft directives all include reciprocity provisions which could be used to this effect. The Bank warns that even the threat to use this weapon could be potentially damaging to foreign perceptions about the welcome London extends to foreign institutions.

The second is that Britain should think twice before lecturing foreign governments on the need to open their financial markets to international competition. The longer markets in countries such as Japan and West Germany remain highly regulated, the better the outlook for the City.

**FINANCE'S CONTRIBUTION TO GDP (£bn)**

| | 1975 | 1985 | 1987 |
|---|---|---|---|
| Finance | 10.0 | 47.5 | 63.9 |
| Rest of economy | 88.1 | 274.5 | 311.1 |
| Total | 98.1 | 322.0 | 375.0 |
| Total after adjusting for net interest in financial services | 94.7 | 305.2 | 354.5 |
| Finance including net interest receipts as percentage of GDP | 10.6 | 15.6 | 18.0 |
| Finance excluding net interest receipts as percentage of GDP | 7.2 | 10.1 | 12.2 |

Finance includes banking, finance, insurance, business services and leasing

# Defence expenditure claims under attack

By David Fishlock in Brussels

NATIONAL spending on defence research and development was being exaggerated by several governments, including Britain's, Mr Ivan Yates, deputy chief executive of British Aerospace, said in Brussels yesterday.

Mr Yates, who has corporate responsibility for engineering in British Aerospace, the UK aviation and defence equipment manufacturer, was addressing the annual conference of the European Industrial Research Management Association, a Paris-based club of industrial research executives.

Mr Yates warned the industrial scientists not to waste their time looking for "golden nuggets" in defence R&D expenditure that probably did not exist.

In Britain's case, about £1bn of the £2.9bn attributed by the Government's defence estimates to R&D was not in fact R&D but what he called "defence engineering," often associated with production.

He estimated that no more than about 20 per cent of the official British defence R&D budget was transferable to civil activities, and said some of it was not innovative.

His estimates, he said, were consistent with the conclusions of the latest report of the Government's Advisory Council on Science and Technology on defence research, which put a lower figure on the transferability of defence R&D than previous claims.

He believed that a smaller proportion of Britain's R&D budget had civil potential than was the case for either the US or France.

British Aerospace spent about £100m of its own money on R&D and received another £450m from the Ministry of Defence's R&D budget. But only a small proportion of the MoD money was for innovative research, he said.

## In Brief

### Charges ruled out over King's Cross fire

There will be no criminal prosecutions brought against London Regional Transport over the November 1987 fire at King's Cross station, in which 31 people died.

Mr Allan Green, the UK Director of Public Prosecutions, said there was insufficient evidence to warrant prosecutions for manslaughter or endangering life by neglect.

### Money supply

GROWTH in M0, the narrow money supply measure, fell in April towards the top end of Treasury's target range, the Bank of England said.

### Green label call

The UK Consumers' Association is pressing for a standard system of labelling to give shoppers an accurate method of assessing the environmental safety of products.

### Bank seeks gilts

The Bank of England surprised the market by announcing it would hold a reverse auction for £400m of short-dated UK Government bonds, or gilts, on June 30.

### WHO tobacco call

The World Health Organisation yesterday estimated that tobacco kills the equivalent of one person every 13 seconds, equivalent to 2.5m deaths each year.

### Satellite update

Satquote, a new company, has launched what it says is Europe's first satellite market data service offering instantaneous information on the main security and financial markets.

### Paint campaign

ICI of the UK and BASF of West Germany are among leading paint manufacturers supplying Europe's car repairers, are to spend up to £500,000 on a safety campaign following US studies revealing increased cancer risks among some professional painters.

### BAe under attack

BRITISH Aerospace, the UK aircraft manufacturer, has come under attack over plans with the Trafalgar House construction group to develop two sites outside north London, acquired when it bought the Royal Ordnance factories.

### Guardian strike

Journalists at The Guardian newspaper have voted to strike today in support of a 10 per cent pay claim.

### Passport dispute

Thousands of UK tourist are facing anxiety on foreign travel plans following a growing strike at main passport offices over staffing levels.

FT LAW REPORTS

# Reviewing management decisions

By A.G.J. Berg

THE traditional reluctance of English courts to interfere with a decision of a company's directors taken in good faith has been called into question by two recent decisions. In both cases the courts brought into the corporate arena the administrative law principles which they apply in judicial review of administrative decisions.

This has considerably increased the scope for legal challenge to decisions taken by companies' boards. The likely consequences are a distinct shift in the balance of power between management and stockholders, particularly institutions, and the emergence of a new range of legal tactics in contested takeovers.

The more important of these cases was the Court of Appeal's decision just before Christmas last year in *Byng v London Life Association**. London Life had convened an EGM to enable it to merge its long term business with that of Australia Mutual Provident. A substantial ginger group of London Life members was opposed to the merger.

The EGM was convened for 12 noon on October 19 1988 at the Barbican, London. Several rooms had been booked, connected by audio-visual link. Concerned that the arrangements might prove inadequate, the Board had also booked a larger room at the Café Royal for the afternoon.

On the day, the audio-visual link at the Barbican was defective. When the meeting opened, some members had not gone through the registration process and were still outside the meeting trying to get in.

It was clear that no business could be transacted and that the meeting would have to be adjourned. There were three options: to convene a new meeting on 21 days' notice; to adjourn the meeting for a sufficient period to allow proxies to be lodged; or to adjourn the meeting until the afternoon when it could be resumed at the alternative accommodation booked at the Café Royal.

Following counsel's advice the chairman chose the last option, overriding objections from the floor that some members present at the Barbican would be unable to go to the Café Royal in the afternoon.

At the adjourned meeting the resolution necessary for the merger was passed. When a policy holder/member challenged the validity of the adjournment, Mr Justice Vinelott held that, since the chairman had acted in good faith, his decision could not be impugned. However, he was reversed by the Court of Appeal, which declared the adjournment invalid.

The Vice-Chancellor, Sir Nicolas Browne-Wilkinson, stated that the test for the validity of the chairman's exercise of his power to adjourn a meeting was the same as that applicable on judicial review in accordance with *Wednesbury* principles†.

Summarising the *Wednesbury* test, Sir Nicolas said that the chairman's decision would be invalid if – "on the facts which he knew or ought to have known he failed to take into account all the relevant factors, which no reasonable chairman, properly directing himself as to his duties, could have reached."

Sir Nicolas then listed 10 items as the principal factors in the situation that had confronted the chairman at the Barbican. He pointed out that, when the chairman had given evidence of the factors which had persuaded him to adjourn to the Café Royal, he had failed to mention the factors of central importance. These included: the fact that there was no absolute necessity to adhere to the timetable which had been set for the merger; and that those who could not be at the afternoon adjournment at the Café Royal would be unable to speak and even to vote by proxy.

Supporting Sir Nicolas', Lord Justice Woolf made this important observation: "In deciding whether Mr Dawson's decision to adjourn the meeting was lawful the approach of the Court is no different from that which it regularly adopts when reviewing the exercise of discretion by a public body under a statutory power. This is the position even though when acting as Chairman of the meeting Mr Dawson is not performing a public function and he derives his powers either expressly or by implication from the articles of the company."

Hitherto the basic principle has been that judicial review lies only in respect of decisions taken in the performance of a public duty. The decisions of private bodies have not been open to judicial review.

By discarding the requirement that the decision challenged must have been made in the performance of a public duty, the Court of Appeal has opened the way to what is, in substance (albeit not procedure), judicial review of decisions by companies' boards.

Even though the chairman was not performing a public function, the court adopted an approach which Lord Justice Woolf described as "no different" from that adopted in judicial reviews.

A second important aspect of the case is the ground on which the decision by the chairman to adjourn was declared invalid. The Vice-Chancellor gave two alternative grounds: that the chairman failed to take into account relevant factors; or, that the decision was unreasonable on *Wednesbury* grounds.

Lord Justice Woolf and the third member of the court, Lord Justice Mustill, adopted only the first ground, and declined to hold that the decision had been unreasonable.

*Byng* establishes that a successful challenge can be made to a decision by a company's directors on the ground that not all relevant factors were taken into account, even if the decision cannot be challenged for unreasonableness. This is important in practical terms because of the difficulty of proving unreasonableness on *Wednesbury* principles: it has to be so extreme as to verge on absurdity. By contrast a failure to take into account a relevant factor is far easier to establish.

The case also shows that the limited time available for taking a decision will not deter the court from declaring the decision invalid on the ground that relevant factors were not taken into account. Nor is it a defence that the decision accorded with advice from counsel.

In *Re A Company*‡, the second case, the High Court explicitly recognised the applicability of *Wednesbury* principles to company board decisions.

A minority shareholder was seeking relief under section 459 of the Companies Act (unfairly prejudicial conduct by directors) or alternatively winding up of the company. The complaint was that the company paid inadequate dividends and that "the directors had failed to give any or adequate consideration to the question of what proportion of the Company's profits should be recommended for distribution by way of dividend".

*Mr Justice Harman* made these observations: "It is, in my judgment, vital to remember that actions of boards of directors cannot simply be justified by invoking the incantation 'a decision taken *bona fide* in the interests of the company . . .' If it were to be proved that directors resolved to exercise their powers to recommend dividends to a general meeting, and thereby prevent *the company in general meeting* declaring any dividend greater than recommended, with intent to keep moneys in the company so as to build a larger company in future and without regard to the right of members to have profits distributed so far as was commercially possible, I am of opinion that the directors' decision would be open to challenge.

"This is an application in a sense, of the *Wednesbury* principle . . ."

This is a radical departure from conventional notions of company law. But it is in line with certain statements made by the Court of Appeal in the frequently overlooked 1982 case of *Heron International v Lord Grade*§.

That was a challenge by Mr Gerald Ronson's Heron Organisation to the action of Lord Grade and his co-directors of ACC in accepting a bid from Robert Holmes à Court's Bell Resources.

The Court of Appeal accepted that Heron (which was an ACC shareholder) would succeed in its action against the ACC directors if it could prove that "no reasonable Board of directors could have come to the conclusion" that it was necessary in the interests of ACC and its shareholders to commit ACC to the offer from Bell.

The immediate practical message from these cases, is that where a board makes a controversial decision, for example, in the course of a contested bid, a full minute should be prepared showing that the board took into account all the relevant factors.

It is particularly important to record that the board took account of the arguments against, as well as those in favour of, its proposed course of action, and carefully reviewed the main alternative options.

*The author is a solicitor.*

**[1989] 1 All ER 561.*
†*Associated Provincial Picture Houses v Wednesbury Corporation [1948] 1 KB 223.*
‡*[1988] 1 WLR 1068.*
§*[1982] 1 FTLR 503.*

**FT LAW REPORTS**

# Digest of Easter Term cases

## FROM APRIL 5 TO APRIL 21

***Regina v Secretary of State for Transport ex parte factor Tame Ltd and Others***
**(FT, April 5)**

The question at issue was whether an English court could give interim relief to protect the applicants' interests pending a referral to the European Court regarding a scheme to register British fishing vessels. The applicants had successfully contended that at first instance the scheme might be at variance with the Common Market fishing policy and were granted an order restraining the Secretary of State for Transport from enforcing the scheme. Allowing an appeal by the Secretary of State, Lord Donaldson, MR, stated that it was fundamental to the British constitution that it was for Parliament to legislate and for the judiciary to *interpret*. There was no *juridical* basis on which interim relief could be granted by the British courts. If the applicants had a remedy it could be provided only by the European Court, either in the form of a ruling on the reference, or by interim proceedings, not yet instituted, by the Commission against the UK Government.

**Bank of Nova Scotia v Hellenic Mutual War *Risks Associates Ltd***
**(FT, April 7)**

Although the mortgaged vessel had been hit by an Iraqi missile on June 6 and became a constructive total loss, the plaintiff bank, unaware of that fact, gave the shipowner \$2.6m on July 9 as working capital against the mortgage. The vessel had been insured with the defendants who were not only aware of the possibility of fraud but knew that the vessel was not insured because it had been in a prohibited zone when hit. *Allowing* the club's appeal against a decision that it was in breach of an implied term in its contract to inform the bank that there was no longer insurance on the vessel, the Court of Appeal stated that the club held the benefit of the insurance to the bank's order and was to inform the bank if the club ceased to insure. Save to the extent expressly stated in their undertaking, the relationship between club and bank did not require the club to pass on any information about the owners' conduct. To imply the term proposed would constitute a new and different relationship between the parties.

**Reid v Rush & Tompkins Group Ltd plc**
**(FT, April 11)**

The employee was injured abroad while driving the employers' vehicle through the negligence of another driver who was not insured and was not required by local law to be so insured. The employee's claim against the employers had been struck out as disclosing no reasonable cause of action. The Court of Appeal, in dismissing his appeal, held that a new term could be implied by law in to contracts of employment. But in the present case it was impossible as a matter of law to imply a term creating a specific duty to advise the employee to obtain insurance cover. Moreover, it was not open to the court to extend the *duty of care owed* by the employers to their employee by imposing a duty in tort which was not contained in any express or implied term of the contract.

**Gyllenhammar & Partners International Ltd and Others v Sour Brodogradevna Industrija**
**(FT, April 12)**

The plaintiffs were financiers, *co-adventurers and buyers* respectively under a shipbuilding contract. Article 23 of the contract provided *inter alia* that if a bank guarantee could not become available the contract would become null and void. The Yugoslav shipbuilders were unable to obtain a bank guarantee in view of the state of the Yugoslav economy. In giving judgment for the shipbuilders in an action by the plaintiffs for specific performance or damages in lieu, Mr Justice Hirst stated that article 23 recognised that the contract was otherwise binding and only stipulated it should "become" null and void if one of its strictly defined provisions became effective. Credit funds were an essential prerequisite and the builders were not responsible for their insolvency as a result of the bank's inability to honour their long-term commitments. There was nothing anomalous in the parties' evincing such an intention on a fault-free basis.

**Re Marketing Consortium Ltd**
**(FT, April 14)**

In the present proceedings the liquidator sought a declaration under section 214 of the Insolvency Act 1986, that the directors should each contribute £107,946 to PMC's assets. The issue was whether the directors "knew or ought to have concluded" that there was no *reasonable prospect* that PMC would avoid going into insolvent liquidation. The court took into account *inter alia* the fact that it was failure to appreciate what should have been clear rather than deliberate wrongdoing. However there were *occasions* when positive untruths were stated, and the auditor's most solemn warning was effectively ignored, so that the directors were jointly and severally liable to contribute £75,000 to PMC's assets.

**Attorney General's Reference No.1 of 1988**
**(FT, April 18)**

Under section 1(3) of the Company Securities (Insider Dealing) Act 1985 " . . . where (a) an individual has information which he knowingly obtained . . . from another individual" he shall not "himself deal in securities of that company . . . if he knows that the information is unpublished price sensitive information in relation to those securities . . . " The Attorney General *referred* to the House of Lords the question whether "obtained" in the section meant *"acquired by purpose or effort"* or had a wider meaning so that a person who had the information from another might have "obtained" it. Upholding the Court of Appeal's decision that a wider meaning was the correct interpretation, the House of Lords stated that the grammatical construction of section 1(3)(a) was equally consistent with both meanings of "obtained." However, having weighed the *points on either side, and not* forgetting that the case concerned a penal statute, their Lordships were satisfied that Parliament intended "obtained" to have the wider meaning in the Act.

**Collard v Mining & Industrial Holdings Ltd**
**(FT, April 19)**

In calculating its global and UK liability for corporation tax under *Section 100 of the* Finance Act 1972, the company calculated its amount of set-off by deducting *double taxation* relief from foreign income. It then set off the amount of advance corporation tax already paid on its UK distribu*tion*. The Crown contended that double taxation relief had to be ascertained after crediting advance corporation tax. Lord Oliver, dismissing the Crown's appeal, stated that the structure and language of the legislation pointed strongly to the *conclusion* that the deduction of double taxation relief was intended to precede the set-off of advance corporation tax. Section 100(6) did not deal with how the set-off was to be made, but with ascertainment of the ceiling for purposes of section 505 of the 1970 Act.

**Regina v Commissioners of Inland Revenue, ex parte Woolwich Equitable Building Society**
**(FT, April 21)**

Under section 343(1) of the Income and Corporation Taxes Act 1970, a building society, *which* had entered into an individual arrangement with the Revenue, paid the Revenue a *lump sum "representing"* tax on interest, while interest was paid to the individual investor without deduction of tax. New subsection (1A) of section 343 provided that the Inland Revenue might make regulations with regard to year 1986/87 requiring societies to "pay an amount representing income tax" calculated with reference to the basic and reduced rates. Section 47(1) provided that subsection (1A) "shall have the effect and be deemed always to have had effect" requiring societies to pay an amount representing income tax on sums, including sums "paid or credited before the beginning of the year but not previously brought into account under subsection (1) above or this subsection." The Woolwich succeeded at first instance that *the Regulations* were ultra vires and void. On the Revenue's appeal, the Vice-Chancellor stated that there was *no* doubt that section 47 operated retrospectively. Parliament was able to make legislation retrospective if it chose and if its intention was clearly manifested. The words "be deemed always to have had effect" showed a clear intention that the section should have retrospective effect.

**Aviva Golden**

*This digest of Easter Term cases will continue on Friday.*

Kodak

# Developing a positive image in Japan

**The US photographic group is persevering despite an uphill struggle. Michiyo Nakamoto reports**

If Japanese companies are among your major competitors, then you had better have a presence in the Japanese market.

This maxim became popular in US and European management circles in the early 1980s, brought about by the fact that many Japanese companies had become innovative world leaders in their fields. It was deemed necessary to compete with them on their own turf so as to benefit from the innovative atmosphere and to get a better feel for what the Japanese companies might do next.

So far, it looks as if relatively few Western companies have acted on this advice, perhaps because it has become so expensiva to build up operations in Japan since the revaluation of the yen in 1985.

Perhaps also they have been watching Kodak, the US photographic giant which launched a huge effort in 1984 to build up its Japanese business. Five years and millions of dollars later, Kodak has not lost heart, but it has a long way to go.

"Wa have a plan, we are moving to that plan aggressively, but we are not where we want to be," admits David Biehn, executive vice president of Kodak Japan.

Kodak's Japanese problem is probably typical of that suffered by many Western consumer and industrial product manufacturers. For most of the post-Second World War period, the Japanese market was largely impenetrable because of various tariffs and non-tariff barriers. These barriers made Kodak's products very expensive, but it was also hampered by the network of local distributors which made only half-hearted efforts on its behalf.

By the late 1970s most of the barriers to the Japanese market in consumer film had been lifted. Moreover, Kodak's Japanese competitors, Fuji Film and Konica (formerly Konishiroku) were beginning to make an impact in Western markets. Fuji, in particular, had moved aggressively into overseas markets, setting up manufacturing bases in the US and Europe and acquiring laboratories in Sweden and the Netherlands.

Although Kodak still dominated in all of these markets and its products were recognised by the majority of the world's photographers – amateur and professional alike – as being of the highest quality, the growing competition was beginning to hurt.

The real shock for Kodak came in 1984 when Fuji marched brazenly onto the US company's home ground and captured the sponsorship for the Los Angeles Olympic Games. From that point, Kodak very quickly decided it had to retaliate, and part of that retaliation involved taking on Fuji seriously in Japan.

At that time, Kodak was running a dismal third in the Japanese market with about a 10 per cent market share against Konica's 20 per cent and Fuji's walloping 70 per cent. Whereas in every other market in the world, the Kodak name alone is worth a lot, it meant nothing to the average consumer in Japan. Thus, in addition to improving its customer service, the company would have to make big efforts to build its image, both with the general public and in the Japanese corporate community.

The latter was in some ways the simplest, if expensive. The company brought over senior management to oversee its marketing, manufacturing and research activities and to improve communications with the Rochester, NY headquarters. It then formed one joint venture, Nagase Kodak, with the Japanese trading firm that had been marketing and distributing its products, and another with a division of Far East Laboratories, a chain of photo finishing labs where its film had long been processed.

Last year Kodak opened a research and development laboratory in Japan at an estimated cost of $74m and raised its stake in its marketing and distribution venture, which was renamed Kodak Japan.

"A multinational company cannot operate a business in Japan by remote control," says Biehn. "We are operating very differently from the way we did in the past." It has proved to be more difficult to advance as quickly in the market itself.

On the public image front, the company decided it had to shed its American image and become more like a Japanese company. "We want the Japanese to feel more familiar with us," says Biehn. It began putting Japanese characters on its film packaging, sponsoring local fairs and flying a publicity blimp designed to look like a carp, a fisb close to the hearts of the Japanese people.

Such changes in its image and a strong emphasis on its commitment to the local community were considered necessary steps in a country where close business relationships are often crucial to success and loyalties are much stronger than in the West.

However, image is no substitute for good service. Shopowners were not going to carry Kodak film unless they could be sure that they would not receive angry calls from customers whose prints did not come out right.

Kodak realised it had to respond to customers more quickly and more thoroughly than it does elsewhere. "In Japan, if yon don't react quickly, you're not committed," Biehn says. It is not enough to answer consumer complaints by dealing with a problem in-bouse as Kodak was accustomed to doing. A consumer problem in Japan calls for immediate action, such as a visit to the film store or the customer himself.

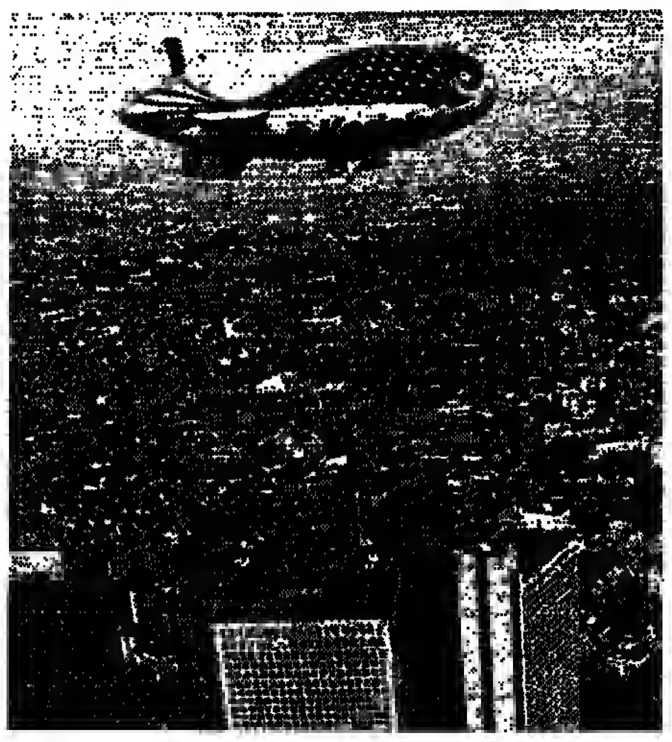
A Fuji official confirmed this extraordinary attention to service. Tatsuro Kitaoka, who has held marketing positions in different regions in Japan and who now heads the company's Tokyo sales division, remembers visiting customers in the middle of the night to listen to their grievances.

Kodak has departed from its traditional practice in at least two other ways in Japan. It uses give-aways and promotion girls in front of shops to try and push film sales and it has changed the colour composition of its films to appeal to the Japanese taste for warm rather than realistic hues.

It also buried its pride when, as in late 1986, Fuji beat it to the Japanese market with a disposable camera. Determined not to let Fuji win the worldwide lead with this new product, Kodak announced its own disposable camera one day ahead of Fuji's announcement in the US market.

"Kodak has become aware that it has to conform to Japanese ways," says an official at Fuji. "We are keeping a close eye on their aggressive moves."

The results of all this activity are still difficult to assess. Kodak is a notoriously secretive company and provides no information on its Japanese sales and profits. The company claims that it has seen a "substantial increase" in overall profits in Japan, but it acknowledges that the gains have mostly been in the professional market where the company has long held a dominant position. The battle for the minds and hearts of Japanese consumers, it seems, still has some way to go.



Kodak's publicity blimp in the shape of a carp - a 'fish close to the hearts of the Japanese people'

Advertising

## Spending hots up

**By David Churchill**

Britain's advertising industry last year enjoyed its best ever year, with a record £6.78bn spent on all forms of advertising apart from direct mail.

Figures this week from the Advertising Association, published in the Advertising Statistics Yearbook*, sbow thet nearly £1bn more was spent on advertising in the UK in 1988 than in 1987, an increase of 17.3 per cent (or 12 per cent after allowing for inflation). This was the fastest annual growth rate of the 1980s.

The association's figures show that all the main media sectors shared in the growth, with "cinderella" sectors such as radio and cinema producing the best growth rates.

Radio advertising grew by 19 per cent (after allowing for inflation) to reach £139m, while cinema advertising increased 17 per cent to £27m.

Press advertising increased by 14 per cent in real terms to £4.242bn, leaving expenditure on television commercials lagging with only an 8 per cent rise to £2.127bn.

The association points ont that the "magnitude" of the advertising boom can be shown by comparing expenditure with gross domestic product. Last year advertising as a percentage of GDP represented 1.48 per cent, compared with 1.39 per cent in 1987. In 1975, the year of the last major recession in advertising expenditure, advertising's share of GDP was 0.92 per cent.

"One of the main reasons for both the rapid recent increase in advertising as a percentage of GDP and the growth of the press sector has been the tremendous buoyancy of classified advertising," the association says. Classified rose by more than 25 per cent last year – helped by the boom in property and recruitment advertising – compared with a 14.6 per cent increase for display advertising.

However, the slump in the housing market this year is likely to lead to a slow-down in the growth of property classified advertising.

**Advertising Statistics Yearbook 1989, published by NTC Publications, 22-24 Bell Street, Henley-on-Thames, Oxon RG9 2BG. £34.*

# Awards seek to boost credibility of design effectiveness

Does design work? Evaluating the effectiveness of any area of marketing is difficult but in an area as ephemeral as design it is doubly so.

One of the commonest complaints levelled against the UK's design consultancies is their failure to emulate advertising agencies' ability to measure the effectiveness of their work.

Hence, the clients have little confidence in the blandishments of designers who suggest elaborate and expensive projects, while designers have little evidence with which to convince clients to invest in them.

The Design Business Association has responded hy introducing the Design Effectiveness Awards, which were presented in London on Tuesday. The awards are intended to raise awareness of design and to demonstrate its potential as a means of changing perceptions of a company and its products or improving their performance.

The awards – divided into the different disciplines of packaging, corporate identity, literature, retail, commercial interior, leisure environments and product design – attracted over 200 entries. All the entrants were asked to do was to prove through case studies that their work had achieved specific commercial objectives.

The winner in the corporate identity category – Lloyd Northover's work for Courtaulds, the international chemicals group – based its case on the significant degree to which design changed perceptions of the company.

When Courtaulds asked Lloyd Northover to create a new corporate identity it had just emerged from a period of radical restructuring in which its traditional textile and fibre interests had recovered from the recession of the early 1980s and it had diversified into less cyclical sectors such as films and advanced materials.

Courtaulds' management was convinced that the company had changed but was concerned that the changes were not reflected in the attitude of its customers, the City and even its own employees. Lloyd Northover won the corporate identity award on the basis of an attitudinal awareness study, commissioned by Conrtaulds, which assessed the attitude of the three groups involved both before and after the introduction of the new identity.

The winner of the awards for the more "instrumental" design disciplines – such as retail and packaging – achieved their success on the basis of the sales impact of their work. Din Associates, which won the retail design award for Next's original Department X store in Oxford Street, provided data to demonstrate that it had achieved the objective of creating a new concept of fashion retailing, designed for fast selling and to attract a new type of customer to Next.

The store, which was modelled on an industrial warehouse, achieved the highest sales of any Next store last year.

The warehouse concept also eliminated the need for a stockroom, thereby maximising sales space; reduced staffing levels; and speeded up the process of selling.

It also fulfilled the objective of attracting a new type of customer given that despite Department X's high sales the turnover of nearby Next stores has been relatively resilient.

Assessing the role of Din's design on the development of Department X was relatively simple in that Department X was a new concept and the launch was not accompanied by advertising.

In the case of Michael Peters' packaging design for the re-launch of Highland Spring mineral water the assessment was more difficult because the event was marked by an advertising campaign.

Highland Spring re-launched its brand in autumn 1987 having watched its market share decline dramatically in the increasingly competitive mineral water market. Michael Peters commissioned a research study to analyse the shortcomings of the existing packaging and then devised a new design to reflect the naturalistic, more indulgent image that Highland Spring aimed to evoke.

Although the mineral water market became even more competitive after Highland Spring's re-launch its share of sales has increased despite a significant price rise. Moreover, its customers have changed from being predominantly downmarket to predominantly upmarket, according to research.

The re-launch was accompanied by advertising, but this was restricted to two television regions for London and the South. Although market share rose at a faster rate in these regions, Highland Spring also increased sales elsewhere.

As the Michael Peters' submission said: "Absolute proof of design's effectiveness is impossible," but "when used well design is a highly-effective and cost-efficient marketing tool."

**Alice Rawsthorn**

# “Everything flows.”

*Heraclitus*

As world markets change and merge into fewer, more powerful entities, new challenges and opportunities arise. Daimler-Benz, the parent company of Mercedes-Benz, has evolved to meet these challenges and take full advantage of new opportunities.

Within Daimler-Benz, three companies have been formed: Mercedes-Benz Cars and Trucks, AEG electronics, automation and communications, and Deutsche Aerospace. Each is a leader in its own field. Collectively, under the Daimler-Benz name, they form a worldwide network. Each of these entities benefits directly from all the research, technology, ideas and talents of the men and women of Daimler-Benz.

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## TECHNOLOGY

# Acquiring the taste for nuclear radiation

**David Fishlock** on the arguments for and against the introduction of food irradiation in the UK

Like it or not, you have probably already consumed substances that have been treated with radiation to kill off harmful organisms. I once attended an international party in Vienna where all the food – even the edibles decorating the room – had been treated to protect the guests against imported microbes and insects.

In Britain, food irradiation has never been banned; it has simply never been approved for general use. But the Food Bill, planned for the next session of Parliament promises to change this.

It will encounter considerable consumer resistance. In 1987, the Consumers' Association published a survey in their magazine, Which?, suggesting that more than half the 2,000 people it had questioned would not buy food processed by nuclear radiation, even if it were cheaper. About half said they would rather buy food preserved with the familiar additives. The report added that many of those questioned were confused on the facts. "More than half incorrectly identified six or more true or false statements out of 13."

More recently, in a letter to the Financial Times, the Consumers' Association said it was not opposed in principle to irradiation, but wanted a satisfactory means of identifying food that had been so treated. It also insisted that consumers "be given clear and factual information, so that they can make their own, properly informed choices."

Two groups of people regularly eat food which has been treated with radiation to reduce the risk of infection. One is astronauts, for whom an upset stomach could jeopardise the mission. The other is those whose defences against infections have been damaged – by disease, for example, or by drugs used during medical treatment to prevent rejection after a transplant operation.

Much larger numbers of people are unknowing recipients of irradiated substances which have been sewn inside them by surgeons, either as a permanent implants such as a hip joints, or as stitches and other supports which eventually dissolve. Most surgical materials – implants, scalpels, swabs – are sterilised by being treated with radiation after being sealed in packs.

Such materials are treated with doses of radiation at least five times heavier than those used for food, but they do not become radioactive – any more than the body becomes radioactive when X-rayed. Paradoxically, the very fact that irradiation appears to leave no trace has been raised as an objection. It has been said that people would have no way of knowing whether their food had been irradiated.

This objection is countered in two ways. One is that, so low is the count of live microbes after irradiation – much lower than for any other food preservation process – that a sample showing a zero or very low assay can be assumed to have been irradiated. Specifically to meet this objection, a new assay involving electron spin resonance has been developed by the Paterson Institute for Cancer Research in Manchester.

More than 20 countries – including Belgium, France, Finland, the Netherlands and Norway – use radiation for processing at least one foodstuff on general sale. France, for example, treats poultry, vegetable seasonings and spices. Belgium treats deep-frozen foods, including seafood, as well as spices. The Netherlands treats poultry, powdered egg, rice and spices.

Spices are treated because they are exposed to infestation while drying in the open air in the countries of origin, says Sir Arnold Burgin, master of Darwin College, Cambridge, the medical scientist who headed a three-year UK Government inquiry into the safety of food irradiation.

In 1986, this Advisory Committee on Irradiated and Novel Foods published its report. It said it was satisfied that "ionising radiation up to an overall average dose of 10 kilogray, correctly applied, provides an efficacious food preservation treatment that will not lead to a significant change in the radioactivity of the food or prejudice the safety and wholesomeness of the food."

The radiation is generated in one of two ways: either as gamma-rays emitted by a radio-isotope, usually cobalt-60; or by machines that generate X-rays or electron beams. The International Atomic Energy Agency estimates that about 140 irradiation facilities using radio-isotopes and about 400 radiation machines have so far been licensed around the world.

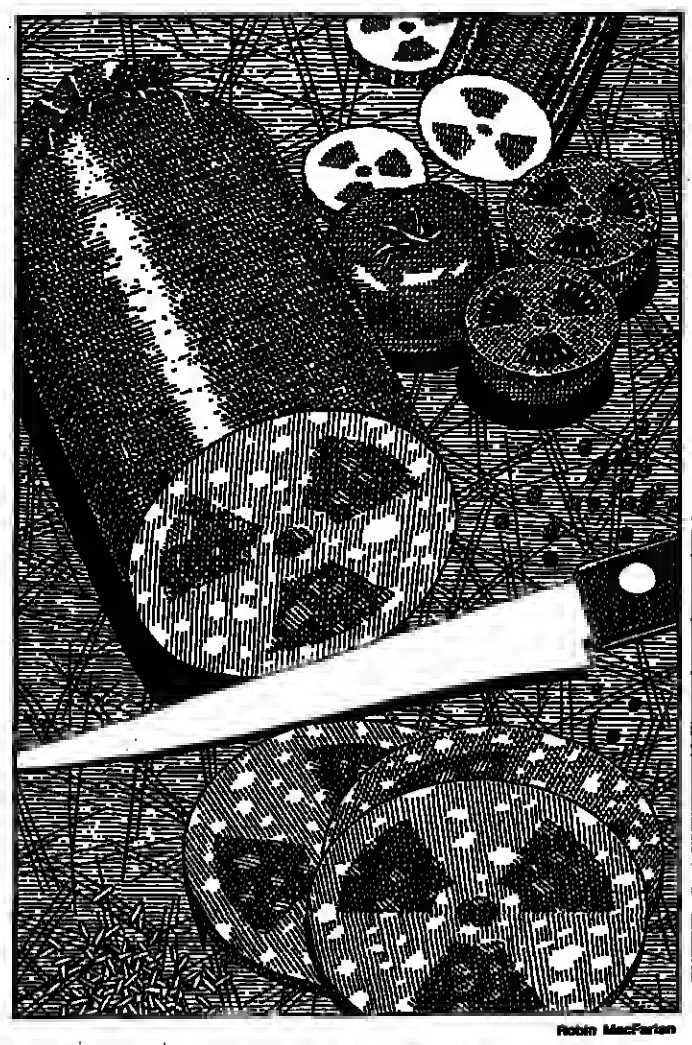
The restriction on radiation dose is important; 10 kilogray (kGy) is an energy level far too low to induce radioactivity. All food is, of course, slightly radioactive, just as all people are. Radiation-processed food will be no more (and no less) radioactive than before treatment. But 10 kGy is a dose high enough to kill most – if not all – harmful microbes as well as bigger pests.

Very low doses of radiation, up to 0.15 kGy, can inhibit sprouting in onions and potatoes, for instance; up to 0.5 kGy can delay the ripening of fruits; up to 1 kGy can kill insects; and up to 5 kGy can extend the shelf-life of, say, strawberries, by killing off microbes. Sterilisation requires a dose of up to 50 kGy. Irradiation at 10 kGy or less is really a form of pasteurisation – which was also strongly opposed when first introduced.

The Burgin committee said it was satisfied that there was "no justification on public health grounds" for failing to use irradiation and that there were no scientific or public health reasons for requiring irradiated food to be labelled as such.

In the spring of 1986, the UK Government looked set to approve a limited use of food irradiation, certainly for infested herbs and spices, and probably also poultry to counter the increasing danger of salmonellosis.

Then came the Chernobyl nuclear explosion which deposited radioactive material on pastures and heightened public



Robin MacFarlen

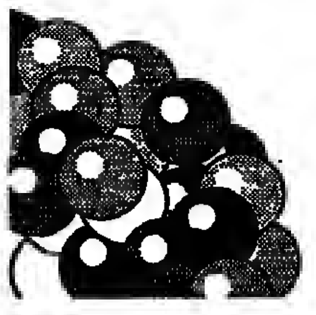
sensitivity to any links between radiation and food. Unlike the rays used in food processing, fall-out has entered the food chain in the case of Nordic reindeer meat and some Welsh lamb, and is proving slow to eliminate.

All the same, six months ago the Commission of the European Communities agreed to a proposal for a directive on control of the irradiation of 14 food items or groups of food. The EC has taken the view that national legislation should not obstruct the free circulation within the EC of irradiated foods from member states, provided that they meet statutory conditions on treatment and labelling. A Cabinet committee chaired by Mrs Thatcher, the British Prime Minister, has since agreed that Britain will accept the EC directive.

Early in 1989 Britain experienced a minor epidemic of food poisoning, which would have been less severe had the nuclear pasteurisation of poultry been in general use. It was not an isolated incident. The Government's medical advisers are worried that reported cases of food poisoning have almost doubled over the past two years, from 22,500 cases in 1986 to 30,000 in 1987, and 40,000 in 1988.

Since the Burgin report in 1986, considerable research has been done by the British food industry to define the best conditions of irradiation for particular foods. This has been done co-operatively by the British Food Industry Research Association at Leatherhead, Surrey.

The combined pressure from the EC and from its own medical and scientific advisers is persuading the UK Government that it must allow irradiated foods to go on general sale soon. As an official of the UN Food and Agriculture Organisation in Rome put it in a letter to The Lancet last month: "The controversy over salmonellosis highlights the fact that hundreds of thousands of consumers every year have foodborne diseases that to a certain extent are preventable through food irradiation."



## WORTH WATCHING

Edited by Geoffrey Charlish

### An end to obnoxious soot

ALTHOUGH EVIDENCE on the harmful effects of diesel exhaust remains controversial, there is general agreement about the obnoxious soot content and several research programmes are under way to reduce it.

● ICI has developed an additive to allow alcohol to be burned cleanly in a diesel engine and a trial is in progress in Los Angeles.

● In Germany, Klöckner Humboldt Deutz (KHD), a major engine producer, is tackling the problem with a soot filter for large trucks. The idea is to catch the soot in a ceramic filter and periodically burn it at a high temperature using an auxiliary heating device.

The exhaust is forced through a ceramic structure with labyrinthine channels creating a large surface area. Here the soot is deposited. After eight to 12 hours of engine operation, the blocking effect of the soot is detected by exhaust pressure build-up and a small burner, powered by diesel fuel, switches on to ignite the soot. The combustion becomes self-sustaining when a temperature of 550 deg C is reached and the whole burn-off lasts only a few minutes. The filter is incorporated into the silencer and has been successfully tested on a Cologne bus.

● In the UK, Ricardo Consulting Engineers is to develop a spark-ignited natural gas version of a Saab-Scania bus engine. The work is for a consortium of five major Scandinavian bus operators. Ricardo plans to use a catalytic converter to obtain low noxious gas emission levels with high power output.

### Behind-the-scene improvements

ALAIN BELLOCHE, a French supermarket director, believes that the present method of restocking shelves from the front, using trolleys that are pushed around the store, is unacceptable to customers, who have to wait for the replenishment to finish before they can select purchases. Reduced turnover can result.

Belloche has devised and patented a system whereby restocking takes place behind the shelves, eliminating problems on the sales floor.

Products are stored in a basement stockroom directly underneath their respective shelves. A series of one metre wide shafts open up behind the shelves, allowing the stockman to move freely between the two levels. As a shelf empties, it can be instantly restocked from a lifting platform that carries both goods and stockman.

An added advantage is that this is a "first in, first out" system. Since products are replaced from the rear, the chances of them outstaying their sell-by date are greatly reduced. Belloche hopes to bring the system to the UK and is seeking a partner in Britain.

### On-line account information

THE NOKIA group, Finland's largest industrial company, has introduced a screen and keyboard information terminal that can provide customers of banks, building societies and major retail companies with quick, easy access to personal account details.

Nokia Data's CIT 285 is easily connected to a controller or branch computer for on-line operation. A customer simply passes his card through the terminal's reader and enters his or her number via the keypad. Then it becomes possible to call up balance information and step backwards or forwards through recent transactions. The information can also be printed out.

### Near-instant instrumentation

AN INFORMATION service for UK process control and instrumentation industries, developed by the Aberdeen database computing specialists Index-I, is to be marketed by British Telecom subsidiary Dialcom UK.

Known as Password Instrumentation, the new database service allows customers to specify their needs on their terminals and then select equipment from the resulting data display. Having decided what he wants, a customer can then request quotations and delivery dates and place direct orders using Telecom Gold, the Dialcom electronic mail service.

### 'Listening' to a machine in pain

A SUBSIDIARY of Rolls-Royce in the UK has developed a way of "listening" to what might be going wrong in industrial processes and machinery.

Stresswave Technology of Wirksworth, Derbyshire, says that rubbing surfaces, fluid flow and other physical influences set up stress waves which can be thought of as sound vibrations at frequencies up to one million hertz (1MHz). These "sounds" can be detected with a piezo-electric crystal, which produces an electrical signal corresponding to the waves.

In machinery, the signals can be processed to give information about changes in the unit's operation, warning of developing trouble. Linked to control systems, the Stresswave unit can change operating conditions to alleviate the problem, or, if necessary, shut the machine down.

When monitoring fluids or powders in continuous process industries, stress wave sensing can provide information on the state of the product. Deviations from a stress wave "signature" for the normal product can alert operators to changes.

An industrial evaluation kit is available to allow engineers to assess the technology for their own areas.

CONTACTS: KHD: West Germany, 221 8230. Ricardo: UK, 0273 455611. Alain Belloche: London, 834 4446. Nokia Data: London office, 569 7700. INDEX-I: UK, 0224 578170. Stresswave Technology: UK, 0629 825454.

## ACCOUNTANCY APPOINTMENTS

# GROUP CASH MANAGER TREASURY

The Bricom Group Limited invites applications for the above post which is based at its Head Office in Dorking, Surrey.

The Bricom Group, which was the subject of a management buy-out in 1988, provides a range of services to industry, commerce and Government, with a turnover of c.£500m worldwide. The Treasurer's Department is responsible for liquidity and financial risk management throughout the Group.

Applicants, in their twenties and educated to degree level, should ideally have had some exposure to money markets in a Treasury related role and must possess a good understanding of accounting practice, although not necessarily be qualified. Computer numeracy, particularly in spreadsheet applications, will be an asset and strong interpersonal skills are essential.

Reporting to the Assistant Treasurer, the Group Cash Manager will be involved in a broad range of Treasury activities, including the operation of all group banking and finance facilities, continuous assessment of financial markets and the execution of interest and foreign exchange risk management techniques.

A primary focus of the role will be the management of the Group's worldwide cash and borrowings position; in a Group in which cash is a key measure of success, this will require a detailed involvement with measuring and forecasting cash performance.

A competitive salary will be offered together with a full range of benefits including fully expensed company car, pension and private health care schemes.

Applications giving full details of qualifications, age, experience and current remuneration package should be addressed to: Mrs J. E. Harris-Jones (Ref SP), Director–Treasury, The Bricom Group Ltd, Milton Heath House, Westcott Road, Dorking, Surrey RH4 3NB.

**The Bricom Group**

University of London: The London School of Economics and Political Science
DEPARTMENT OF ACCOUNTING AND FINANCE RESEARCH OFFICER

Applications are invited for a post of Research Officer to work on a project funded under the Economic and Social Research Council initiative on New technologies and the Firm. The project will assess the stock market valuation of corporate research and development expenditure.

The duties of the successful applicant will be to supervise the collection and perform the analysis of relevant data extracted from company accounts and the stock market. Candidates should have a postgraduate qualification or relevant research experience in Accounting, Economics or Finance.

Appointment will be for two years from 1 October 1989 on the salary scale £9,865 to £15,720 plus £1,650 London Allowance a year. In assessing starting salary consideration will be given to age, qualification and experience.

Application forms and further particulars are available, on receipt of a stamped, addressed envelope, from the Staffing Office, London School of Economics, Houghton Street, London WC2A 2AE.

Closing date for applications: 22 June 1989.

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# FLEMINGS

SYSTEMS LIAISON DEPARTMENT
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Robert Fleming is a leading UK based merchant bank with significant activities in banking, fund management and securities trading, and operations in Europe, the USA and the Far East.

We wish to recruit an additional person within our Systems Liaison Department, which carries out wide ranging consultancy projects across all areas of the group. The work can involve liaising between users and systems teams on major projects as well as ad hoc project work, including management information and on operational systems. This will provide an excellent overview of the group's activities as a foundation for advancement in the organisation.

The successful candidate will be in his or her mid to late 20s, a graduate chartered accountant, "big 8" trained with considerable experience of the financial services sector. This will have been gained in a professional firm, perhaps in consultancy or a specialist audit group, or working directly in the sector.

Experience of, and a real interest in, systems development will be required, as will first class communication and inter-personal skills to establish and maintain working relationships at all levels in the organisation.

An excellent remuneration package will be provided for the candidate with the potential to develop a successful career in this challenging environment.

Applicants should write enclosing their C.V. to

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*For further information please contact Philip Griffiths of the exclusively appointed recruitment advisers - COMMERCIAL RESOURCES - on 01-258-3436. Or write to him with C.V. on fax 01-723-1653, or Box A1248, Financial Times, One Southwark Bridge, London SE1 9HL*

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Career expectation — Financial Director, short to medium term.

Interested applicants should write, with full C.V. to:-
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The position demands an assertive individual able to communicate at all levels, who can play an important role in assisting area managers to run their divisions more effectively. The successful applicant will also manage the production of monthly accounts, detailed budgets, liaise on computer enhancements and undertake ad hoc work. In view of the geographical spread of the business there will be some travel within the UK.

Applications are invited from qualified accountants (ACA or ACCA) with the drive, enthusiasm and potential to warrant rapid progress. Although the initial appointment is within J. H. Dewhurst Ltd. promotion opportunities may occur within the multi-national Vestey Group.

Applications to R. J. Welsh, Reginald Welsh & Partners Ltd., Accountancy & Executive Recruitment Consultants, 123/4 Newgate Street, London EC1A 7AA. Telephone: 01-600 8387.

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The position carries responsibility for the planning and control of the company's profitability and balance sheet through the review of operating divisions. Candidates should be assertive, highly motivated graduate ACA/ACMAs aged between 26-32.

Experience gained within a major corporation would be an advantage. Prospects for advancement into general management areas are excellent.

For further information please telephone Shelley Kakar on 01-437 0464, or write to her, enclosing brief details, at the address below. All replies will be treated in strict confidence.

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Reporting to the Chief Executive, the Financial Director will advise on all aspects of financial and commercial matters, and be responsible for the accounting, financial computing and management information functions at Derby and other depots.

The Company, whose manufacturing division is the largest single supplier in volume of eye preparations in this country, had a 1987/88 turnover of some £31.5m with small trading profits.

Applicants for the position should be qualified accountants aged 30-45, ideally graduates, with a minimum of four years line management experience, preferably gained within a sales/distribution or manufacturing environment. Experience of computer based operational, accounting and management information systems is essential.

Interested candidates should send a comprehensive curriculum vitae, with salary details and quoting reference 7103 to:

Peter Childs, Director
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA

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Mr. D. Torrance, Company Secretary & Treasurer,
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# Finance Director

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Our client is a group of service based companies operating in both industrial and consumer markets. Based in Liverpool, the present turnover of £40m is set to increase substantially through organic growth.

The Financial Director will join the Board of the holding company as the group enters its next important phase of development. Reporting to and working closely with the Chairman, a major priority will be to direct and enhance the finance function both at Group and subsidiary level, and be a key member of the management team providing financial guidance in all areas.

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*Please write in confidence with full career, personal and salary details, quoting* Ref. R178, to David Weir, Arthur Young, Commercial Union House, Albert Square, Manchester M2 6LP.

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The Institute of Chartered Accountants of England and Wales

# Deputy Director, Practice Regulation

The Practice Regulation Department, created two years ago, now employs 18 personnel to discharge the Institute's role as a Recognised Professional Body. Impending legislation will extend its activities. In order to manage its growth successfully it has been decided to develop a senior management structure.

Reporting to the Director, Practice Regulation, the Deputy Director will be responsible for the management of the Financial Services Authorisation, Insolvency Licensing and Practice Insurance Requirement sections of the Department. He or she will play a major part in implementing the Institute's Practice Regulation policy.

The work is extremely interesting and absorbing, liaising externally with the SIB, DTI and other professional bodies, and advising members and firms.

Candidates will be Chartered Accountants ideally with senior management experience in a professional firm. It would be an advantage to have been involved in compliance matters.

Important personal qualities will be first class administrative and communication skills, an analytical mind, and an interest in committee work with the drive and dedication to handle a diverse workload.

An attractive remuneration package will be negotiated.

Please reply in confidence, or telephone Hamish Kidd who is advising on this appointment.

CLIVE & STOKES INTERNATIONAL
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New York City Ballet in a scene from Balanchine's "Danses Concertantes"

# Ballet in New York

A brief visit to New York in May reminded me how incomparably rich that city is in its own native dance fare. Amid five hectic days, I was able to catch up with two Broadway dance shows, *Black and Blue* and *Jerome Robbins' Broadway*, one matinee of the Paul Taylor Dance Company, two performances by American Ballet Theatre and three by New York City Ballet.

Michael Coveney has already written on the two Broadway shows; I will write on Paul Taylor nearer the time of his company's London season in July; and I will report shortly on American Ballet Theatre. There were also several other American companies dancing downtown that I was unable to catch. Any one of the performances I saw was a reminder of how healthy most American dance looks after the general decadence to be found across most European ballet and modern dance.

Nothing was more moving than to find NYCB back on more lustrous form in its central Balanchine repertory than I have seen it for several seasons. One look at the company and I was reeling: such clean-cutting energy, such glowing turn-out, such bodily radiance. Dancing of this calibre has an immediate moral impact: it showed you spontaneous heroism in action, the human form at its most potent, the ideal as achievable. I speak in superlatives; and so, at the performances I attended, did almost every one I met.

I want in particular to mention two evenings when the company fielded three of its leading ballerinas, each as sovereign of a different Balanchine realm: Kyra Nichols in either *Donizetti Variations* or in *Mozartiana*, Darci Kistler in *Danses Concertantes* and Merrill Ashley in *Chaikovsky Piano Concerto No. 2*. No other company in the world could match these programmes in terms of sublime choreography or transcendent ballerinas. Nichols, admittedly, for all her prowess, lacks the grand musical inevitability and wit to make *Mozartiana* the peak experience it was with its original ballerina, Suzanne Farrell. (Damian Woetzel, never anonymous, made his vibrant mark as her consort.)

But the next night, in the turns, jumps and fiendish dance coloratura of *Donizetti Variations*, Nichols sliced the sky, set it ablaze and then turned the flames to jokes. *Donizetti*, a ballet hardly known here, begins by resembling an innocent Bournonville-type fête and then grows ever more electric and diabolical. Ib Andersen, pouncing and spinning with astounding mastery was a worthy match for Nichols; in over ten years' acquaintance, I have never found this ballet more breath-taking.

It's no news that Merrill Ashley has all the incisive power for the arduous ballerina role of *Chaikovsky Piano Concerto No 2* (a.k.a. *Ballet Imperial*). She has danced it for over ten years. What made these two performances deeply affecting was the late-summer wisdom she gave it. Her every entrance was coloured in a different mood. No excess, nothing fake, just deep musicality throughout. *The whole ballet* was in glorious shape, intoxicating just as pure dance — at the end of the long first movement, it's always a wonderful shock to realise that there are two more great movements to follow — it has wit, pomp, exuberance, athleticism, chivalric romance and questing ardour. Ashley's performance, leading the ballet's attack and shrouded in its sorrowing heart, helped to reveal all this.

Balanchine made *Danse Concertantes* in 1944, on the Ballet Ruffe de Monte Carlo, starring Alexandra Danilova and Frederick Franklin, with designs by Eugene Berman. It was soon highly popular in New York and on tour, cherished by its dancers, hailed by such composers as Elliott Carter and John Cage, and described in extraordinary terms by the dance critic Edwin Denby. The ballet however was short lived — perhaps because of its composer, Stravinsky himself, who later declared that the choreography was "not among his Balanchine favourites."

After Stravinsky's death, Balanchine rechoreographed it — to a similar ontline, hnt with details "radically different" — for NYCB's 1972 Stravinsky Festival, using again the Berman designs. But the ballet — undercast, by all accounts — won no great acclaim. Now, after a 15-year absence, it is back — commandingly danced, coruscating with witty and hip-thrusting steps, with jazzy rhythms, with suspense, surprise, chic. It is for a star couple, four supporting trios (female-male-female) — a little society of sophisticated modern *commedia dell'arte* virtuosi. Berman's costumes are in glowing primary colours, with black trimmings; his sets are black-and-white.

Partnering is a theme. Legwork, in steps small and large, is witty. Torsos, with pelvis pushing that way and this, are dangerous and elegant. The look is of scintillating comedy, with flashes of mystery. The piece *is rapid, though* with numerous changes of inner tempo, and all too short. Robert LaFosse, a fine dancer who would be finer where his manners less cute, was as always a happy partner to Darci Kistler. She, the last ballerina to be trained by Balanchine and now taking many of NYCB's great ballerina roles in the early prime of her talent, swept the ballet up in her strange spell, luscious and piercing, dazzling and transparent, tenderly impenetrable. In this and in each work the corps de ballet and soloists rose to make the occasion splendid.

**Alastair Macaulay**

## CINEMA

# Target practice for anti-Toryism

*Paris By Night* is *film noir* by numbers. Seeing David Hare's weird Euro-thriller again, in which Tory M.E.P. Charlotte Rampling's life comes apart one dark Parisian night abetted by a murder and a romance, endorses my misgivings from the Berlin Film Festival. Where Hare's first movie *Wetherby* was rooted in an English reality we all know, where rose-girt cottages conceal a sickening of the UK soul, the film language of his new film is Esperanto and its setting Never-Never-land.

How do you go for the idea of Charlotte Rampling — she of the opaque and bruised-eye'd beauty — as a torch-bearer for the new Toryism? Indeed as a freshly-picked Euro-MP sent to Paris to "haggle over farm prices"? If you do, perhaps you will swallow the rest. Miss R is pursued to France by a blackmailing ex-business partner (Andrew Ray). She receives anonymous phone calls from a sinister voice. She commits a curiously choreographed murder (biting or head-butting her victim's shins before tipping him over a Paris bridge). And she falls in love with, or at any rate into bed with, a young British businessman (Iain Glen).

This last chap is at once a walking showcase for Tory ideals — his light-fittings are a hit in France and about to be in Burma — and a shiner of lights into dark moral corners. Mopping up Miss R's panic after her unconfessed murder, he becomes her saint of self-examination. Why has she not belted back to Britain to be with her appendicitis-stricken son? Why does she clothe her sensitive soul in the harshness of Thatcherism? (He alone has seen through the clothing: "You're my first naked Tory.") Why — most important — does she gibber on Maggie-style about people taking responsibility for their own lives, while covering up her own crime?

So many questions here. Problem is, we know all the answers. Miss Rampling is the way she is because she is target practice for Hare's anti-Toryism. As much victim as agent of Mrs T's reign of terror, she is a perfect Hare heroine. When not being perfectly beastly — neglecting her son or betraying her gentle wreck of a spouse (Michael Gambon) — she is beastly in her vulnerable perfection: an English rose matured by high office, manured by the absurdities of EEC politics.

The odour of programmatic convenience hangs over all the movie's main characters. While the old school Tories are either boozy wash-ups (Gambon) or nest-feathering turncoats (Robert Hardy doing a wicked Paul Johnson take-off), the new Tories stride across Europe spreading the true-blue word or delivering Hare's over-deliberate ironies. "That's what happens when you help people" sighs Rampling, re-embracing her creed of Self after being screamed at in a restaurant by a victim of her charity.

Meanwhile the *film noir* stylistics — lashings of shadow, pained and throbbing music — work overtime to make the movie tick as a thriller. It does tick. But more with the time-bomb threat of Hare propagandism than with a sense of real characters caught in a real crisis.

★

It beats the week's other British movie, nonetheless. With Hare at least we get the odd witticism or deft non-sequitur. (I loved Rampling's sudden aside to a slippery-lapped Indian mother at a Tory branch meeting — "Careful, your baby's falling.") *Paperhouse* is all trudge, trudge. Little Anna (Charlotte Burke) doodles a house on a sheet of drawing paper one day and before you can say "Play School" she is visiting it in her dreams.

A paralysed boy lives there — she drew his face at the window but forgot to draw his legs — and her Dad (Ben Cross) takes on a vicious Freudian life, stomping in from the skyline with hammer in hand and murder in heart. It is too much for Anna, who keeps waking up only to faint or fall ill, and for her mother, who is distractedly, woodenly played by Glenne Headly. It is certainly too much for us. Directed by Bernard Rose of pop video fame, the movie is so slow we feel Rose must be atoning for all those insults to our attention spans with a film of killer longueurs. At once whimsical and portentous, *Paperhouse* is *Nightmare On Elm Street* reprocessed for the art circuit.

Charlotte Rampling in "Paris by Night"

| |
|---|
| PARIS BY NIGHT **David Hare** |
| PAPERHOUSE **Bernard Rose** |
| CHILD'S PLAY **Tom Holland** |
| HARD TIMES **Joao Botelho** |
| MOON OVER PARADOR **Paul Mazursky** |
| WARLOCK **Steve Miner** |
| FLETCH LIVES **Michael Ritchie** |

★

Far better, if kiddy horror is to your taste, is *Child's Play*: a rip-roaring low-budget screamer from America about a doll that comes alive. "May it bring you and your kid a lot of joy" dribbles the seedy street vendor from whom Catherine Hicks buys little "Chucky" for her 6-year-old son. Soon Chucky — redhaired, blue-eyed and smiling — is showing eerie signs of animation plus an un-doll-like interest in kitchen knives. Can Miss H save her boy? And will helpful detective Chris Sarandon — who says you can never find a policeman when you want one? — assist?

Not for the nervous: essential viewing for anyone else. As well as launching you several feet in the air at horror high points (take a parachute for safe landings), the movie has a sense of humour. One scene involving the surprise discovery of batteries may be the most prankish horror moment since Anthony Perkins asked Janet Leigh to have some pre-shower sandwiches.

★

Also prankish — or at least glacially dotty — is *Hard Times*. Portuguese director Joao Botelho pulls Charles Dickens's novel kicking if not screaming into modern-day Lisbon. In *tableaux vivants* of a dry and witty solemnity, Senyor Gradgrind and Company march through a tale of industrial hubris and nemesis, of human dream, struggle and disenchantment.

The camera performs strange mating dances with the action, tracking now in, now out from the characters. Crazed cameos of human folly or frailty (the old lady eaves-dropping in the rain, a snail crawling over her hand) alternate with drawing-room dialogues as stately as Racine. And the crisp, glowing black-and-white photography makes the whole film resemble a family photo-album that has come monstrously alive in a microwave. Marvellous.

★

In Paul Mazursky's *Moon Over Parador*, Richard Dreyfuss takes over a small Latin American country. "Play the part or I'll kill you" says chief of police Raul Julia, keen to replace the just-dead President with the lookalike Dreyfuss, a New York actor filming in the locality. "You'd make a very good director" replies Dreyfuss and accepts the role. Soon he is growling out inspirational speeches from the palace balcony ("We must dream the impossible dream"), sleeping with ex-Presidential mistress Sonja Braga and accepting other arduous responsibilities of high office.

This Ruritanian caper begins briskly, develops rheumatism around reel 5 and goes into intensive care for the last half-hour. (It's the sure sign of a film running out of plot when Sammy Davis Jnr "as himself" is drafted in to top the bill at the Carnival.) Early on, though, much fun may be had with the jokes Mazursky is best at: those that bounce off modern Manhattan and its manners. Asking how much he will be paid for his role, Dreyfuss is given a narrow-eyed look by the well-travelled Mr Julia and told, "It's what we call in New York a result-oriented performance."

The hero of *Warlock* (Richard E. Grant)is also involved in a result-oriented performance. By the magic of witchcraft, he has been propelled from 1691 to the present day. Here Mr Grant must track down the evil warlock (Julian Sands) who threatens world destruction and wants to lay hands on the Grand Grimoire.

The Grand Grimoire is not a large piece of French furniture but a Book of Satan. You appreciate, therefore, the urgency. As Mr Grant says to the pretty, life-endangered American girl (Lori Singer) he picks up en route, "Let's tarry not." We are off into 85 minutes of unmitigated tosh, involving Special FX, thunder and lightning, severed tongues and dialogue which makes one wish they had been severed earlier. Steve (*Friday the 13th*) Miner directs.

*Still*, it is funnier than *Fletch Lives*. As comedy sequels go, this ooe doesn't: Chevy Chase outstays his appeal as the journalist-sleuth and the jokes are in need of First Aid. "Fletch Dies" could only he an improvement.

**Nigel Andrews**

# The Debutante Ball

**HAMPSTEAD THEATRE**

It is over six years since the Bnsh Theatre and director Simon Stokes blooded us in the raw grotesqueries of small-town Mississippi life and death according to Beth Henley. The latest piece from the author of *The Miss Firecracker Contest* and *Crimes of the Heart* — it has yet to receive a full production in New York — has not shifted her ground, only intensified the quality of her revenge on the privileges of personal experience and upbringing.

The interesting thing is that there are no mitigations to her plea of total, annihilating execration. This makes for good black stark social politics, but rather tedious drama. Sitting through *The Debutante Ball* at Hampstead last night was rather like viewing *Cinderella* through a distorting glass supplied by Charles Addams and populated around the lens by would-be participants in *The Munsters*. I only wish it had been as funny as I nearly make it sound.

Teddy Parker (Jane Horrocks) is a pregnant debutante whose big day at the ball has been designed by her mother, Jen Dugan Parker Turner (Sheila Gish), to heal wounds of reputation in the community. Daughter comes out, mother goes back in. Jen Dugan is a liberated murderess who bludgeoned her first husband's head with an iron skillet. Everyone knows this, but she has appearances, and supposed innocence, to keep up.

The family congregates for the ball. There is Jen's first daughter, Bliss (Susannah Harker), who pops pills and is stunningly beautiful, never sees her child by the broken marriage, and is suffering from her own deprivation of a coming-out as a result of the murder trial. On the dead man's side, Brighton (Ronan Vibert), walks on with snooty disdain for the mansion's mock splendours, while a deaf cousin Frances (Caroline Parker) comes in search of love and affection and most surprisingly finds them in the arms of the elder daughter.

Simon Stokes's production succeeds at a low level of cross-cultural camp, hnt I failed to understand how and why Jen Dugan had fallen in with the wealthy redneck Hank Turner (Duncan Preston) beyond gleaning the information that they had met in her prison cell.

And what, pray, is the symbolic significance of her creeping psoriasis, which is visible at elbow point throughout but only mentioned as Miss Gish lowers her blotchy naked body into a vulgar jacuzzi in the last scene?

The ball is a failure on all fronts, and Teddy takes to wandering around in a literally self-lacerating mood. This riposte to etiquette orientation is obvious to say the least; the evening starts with corrective make-up measures in the same bathroom where we see armpits shaven and a vomit-stained cape washed out. *Is this shocking? Is it funny?* The production has no stabilising, perceptive notion of the Beth Henley world by which to judge.

Taken in tandem with the narrative confusions, not to mention lousy Southern accents and awkwardly managed scenic climaxes, the play comes across as a shallow study in vindictive style, a pretence well maintained in Dermot Haye's expensive-looking setting of chandeliers, marble panels, golden bathroom appurtenances and hideous green pillars.

**Michael Coveney**

# Ovchinikov Piano Trio

**WIGMORE HALL**

Since he won the Leeds Piano Competition in 1987 Vladimir Ovchinikov has become a regular visitor to London, but not before with the Moscow-based piano trio in which he has played in the Soviet Union for the last five years.

The group made its debut in the West at the Wigmore Hall on Sunday, and while it is reasonable to observe that the other members are not quite such noteworthy musicians as the pianist, the collective result is nevertheless impressive.

In an all-Russian programme solo sonatas gave the violinist Alexander Vinnitsky and cellist Alexander Rudin opportunities to present their own credentials. Vinnitsky made rather a hash of Prokofiev's D major Violin Sonata; perhaps nerves gave an uncomfortable edge to his tone and put the final pages ont of kilter, but certainly in the trio his playing became altogether more naturally expressive and finer-grained.

Shnitke's 1978 Cello Sonata was, however, vividly projected by Rudin; Ovchinikov brought fierce intensity to the piano writing, together with the hope that his future solo recitals will break away from the restricted repertory he has played to date and explore a wider range of Soviet music.

The trios were Shostakovich's single-movement Op.8 of 1923, a student piece pre-dating even the First Symphony but sharing its stylistic background, and Chaikovsky's Op.50. The Shostakovich was light-fingered, pungent; the Chaikovsky began marvellously, with pianist and violinist *naturally eloquent in the* fund of melodies in the opening movement, but lost focus through the long second, with Ovchinikov uncharacteristically fudging details towards the end.

The work was given uncut, complete with the turgid fugal variation and long-winded finale that many trios choose to omit. Perhaps had they been less faithful Ovchinikov and his colleagues might have preserved their freshness and accuracy to the very end.

**Andrew Clements**

## OBITUARY

Barley Alison, who died on Sunday at the age of 68, was one of the most generous and enchanting people in the world of London publishing. For many years she ran her own imprint The Alison Press as part of Secker & Warburg, specialising in high quality fiction, headed by snch luminaries es Saul Bellow, Piers Paul Read, David Cook, but always ou the look-out for a promising newcomer.

The discovery of genuine new talent was her forte. In the 1960s as fiction editor at Weidenfeld & Nicolson, she took home a tatty-looking unsolicited manuscript wrapped in brown paper of a first novel titled *A Summer Birdcage*. Having read it she insisted at once that it be published and wrote congratulating the unknown author. Her name was Margaret Drabble.

Born in Australia, she loved travel and had recently inherited a flat on Key West. When I last saw her, only a few weeks ago, she talked to me with typical dry humour about her recent visit there and gave me her bemused observations on the mores of the indigenous population.

**Anthony Curtis**



# ARTS GUIDE

May 25-June 1

EXHIBITIONS

**London**

**The Royal Academy.** The Royal Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, beautifully presented; trophies drawn from across the whole of Europe in the time of Sweden's abrubt emergence as a European power. Until June 18; sponsored by Gamlestaden.

**Paris**

**Grand Palais.** The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Closed Tue. Late opening night Wed. Ends June 26 (42895410).

**The Louvre.** Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. 12am to 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.

**Galerie Schmit.** French masters of the 19th and 20th century.The traditional yearly exhibition in the three-storey town house shows the richness and diversity of the period covered. An exceptionally cheerful Courbet — the Sleeping Peasant woman with round red cheeks and a red bodice is only e few paces away from a small Corot, Games in Greece, poetical in its Italian light. Nicolas de Stael's flowers in a flat-rendered shiny red flower pot spread their green leaves in generous broad brushstrokes against e black background next to Signac's ships leaving a harbour. 396, rue Saint-Honoré (42603686), closed lunchtimes and Sundays, ends July 19.

**Goethe Institut:** Munich 1937 — l'Art Diffame, l'Art Acclame. Photographs, documents, reproductions and originals evoke the shock of the famous pre-war confrontation of the avant-garde artists who have since become the great names of modern art, considered as degenerate, and the traditional German painters, all clean limbs and moral values. 17 Ave d'Iena (47236121). Closed Sat, Sun. Ends June 15.

**Maastricht**, Bonnefanten Museum. The finest of the early Italian paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

**Brussels**

**Archives Generales du Royaume.** Witches in the Netherlands, 16-17 centuries (closed Monday).

**Goethe Institute.** Graphic Art in German Expressionism. Works by Kandinsky, Klee, Kokoschka and others. Ends June 24.

**Frankfurt**

'Je Suis le Cahier', the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour. These fascinating sketchbooks, owned by Picasso's family have never been shown in public before. All styles and periods in his working life are represented here. These books cover around 70 years of his life; his start in Spain of the turn of the century, the cubism period before the First World War, and followed by the period from 1920 to 1965.

**Stuttgart**

**Staatsgalerie**, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. 350 works from all periods of his working life and from several collections, museums, galleries, from all parts of the world, except the Teatro-Museo in Figueras, his home, are to be seen. The exhibition, organised by Mrs Karin von Maur, who tries to explain how Dali's works can combine with the post-modern period, concentrates on his works from the 1930s (surrealism). Among them are pictures which have not been shown in public before. Ends July 23.

**Vienna**

**Messepalast.** A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.

**Rome**

**Villa Medici.** Rayman: photographs by Man Ray. Extraordinay series of experimental photographs, including portraits of friend and fellow-dadaist Duchamp, of Giacometti, Andre Breton, and a compelling youthful portrait of Picasso. His own self-portraits range from the *quaint (wearing a turban* topped with a starfish) to the deeply pessimistic Object of my Affection (1932), which shows his supposed death-mask lying in a coffin. Ends June 11.

**Venice**

**Museo Correr.** French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son (ends Sept 4).

**New York**

**Whitney Museum.** The 65th in the long series of Annuals and Biennales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.

**Washington**

**National Gallery.** More than 160 objects from the Fitzwilliam Museum in Cambridge include paintings by Titian, Guercino, Rubens, Van Dyck and William Blake. In addition illuminated manuscripts, ceramics and bronzes show off a collection that is considered "perhaps Britain's pre-eminent museum." Ends June 18.

## SALEROOM

# Antlers make £22,000

Salvin's grandest house, the chill and monolithic Thoresby Hall, Newark, built in the Elizabethan style for Earl Manvers in 1864-75, is to be turned into a luxury hotel. Contents of pile and park, sliced into 1,932 lots, are being sold in situ by Sotheby's.

Yesterday morning's opening session contributed a healthy £819,747 towards the one or two million anticipated for the entire three-day event. High prices were found for the few pieces of serious furniture, and for the whimsical.

A suite of Louis XVI giltwood seat furniture covered in bncolic Bsauvais tapestry scenes sold in four lots to the same private biddar for £282,700; the set of seven fanteuils tripling their estimate by soaring to £176,000. From a century later comes a gargantuan pair of sideboards carved by the local firm of R. Tudsbury and Son of Edwinstowe. From the scalloped backboard hang carved game — hare, pheasant, partridge and snipe — and herons flank the pedestal cupboards. They surprised expectations by selling for £20,900.

Five pieces made for the house are stamped by Gillows of Lancaster and 40 further pieces have been attributed to tbe firm. Of the stamped pieces, e set of 16 mahogany dining chairs, plus a matching child's chair, bought around 1822 for 55 shillings each, changed hands at £13,700, and a plain but handsome mahogany breakfront wardrobe also more than doubled its estimate by going for £11,550.

The session also saw a nine foot wide pair of megalocerous antlers estimated at £600-900 sell for £22,000 to an enthusiast who has been collecting antlers since 1937. This variety of Irish elk apparently and unsurprisingly became extinct due to the excessive weight of its antlers. A Victorian letter rack in the form of a pair of five-bar level-crossing gates made £1,155.

High prices were also paid by a surprising cross-section of dealers in the annual sale of garden statuary at Sotheby's, Billingshurst. An Oxfordshire dealer paid £41,800 (estimate £5-8,000) for an ornate pair of Italian marble urns on cylindrical columns dating around 1800.

Christopher Fratin's ferocious bronze group of two eagles attacking a lynx went to the London trade for £50,600, while a Kuwaiti dealer paid £20,900 for a pair of early 19th century reclining lions, copies after Antique originals.

Back in London, Sotheby's found an auction record for a marine painting by Montague Dawson. A breezy view of the ocean packet "Daniel Webster" estimated at £35-50,000 found a new owner at £101,200.

**Susan Moore**

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Thursday June 1 1989

# The social dimension

THE European Commission's attempt to give a social dimension to the 1992 single market programme is seen by Mrs Margaret Thatcher, the British Prime Minister, as another example of "socialism" within the Community. Certainly, there are flaws in the proposed social charter, published last month. But, as in so much Thatcher criticism of the Commission, valid objections to specific proposals are obscured by a tirade based more on ideology than analysis.

Neither Mrs Thatcher's vision of an enterprise economy nor the German tradition of social partnership and co-determination can be imposed on the rest of Europe. The question is what legal and institutional framework is appropriate for Community social policy.

### Wage flexibility

The British Government is right to resist reinforcement of labour market rigidities through Community action. Most governments have recognised that part of the solution for unemployment, which remains Europe's most pressing social problem, lies in making labour markets more efficient. Wage flexibility will be crucial if firms located in the very different regions of the Community are to compete with one another, especially once currency devaluation is ruled out. The 1992 programme would fail if British workers' productivity was rewarded with wages set at West German levels and fledgling Portuguese companies were forced to carry the burden of French social costs.

Member states will differ on the balance to be struck between employee protection and freedom for employers. Because of the wide range of collective bargaining procedures within Europe, the charter must embrace variety rather than enforce homogeneity. But respect for diversity should not preclude agreement on some Community-wide rules designed to prevent countries from bidding down basic working conditions to below a minimum acceptable level.

Many of the Commission's proposals restate principles of employment legislation and welfare policy to which the UK is already committed. They are intended to establish a floor of rights to a safe working environment, training and trade union representation. They cover equal opportunities and the protection of young, disabled, and elderly workers. They touch briefly on collective bargaining, the right to strike and workers' rights to information and consultation.

### Thatcherite emphasis

Some aspects of the proposed charter are even in line with the Thatcherite emphasis on liberalisation. Making unemployment benefit transferable, and the mutual recognition of vocational qualifications, should promote a more mobile labour market.

Other elements in the document are more questionable. There is more than a hint of "upward approximation". References to maximum working hours and to the establishment of "fair wages in line with the situation specific to each member state" suggest a degree of intervention in the regulation of working conditions which is unnecessary and undesirable.

In its response to the proposals the UK Government has to understand the motivation that underlies them – a desire to convince trade unions and employees that the 1992 programme is more than a charter for capitalists. For Mr Jacques Delors, the Commission's president, and others who think like him, the social dimension also has a wider political significance. It is seen as a symbol of the sort of society the Community should be attempting to create.

The present British Government may have little sympathy with the consensual approach which underlies much of the document, though it can hardly claim that the UK's record in industrial relations is a model. But to dismiss the social dimension either as hot air or as socialism will widen the gulf between Britain and the rest of Europe, to the ultimate detriment of British interests. This is an important debate, in which the UK should offer not a blanket condemnation but constructive suggestions for a better balanced and more fruitful document.

# Tough choices for China

AS THE SIZE and force of the student-dominated demonstrations for democracy in China subside, at least for the time being, the country must now wait and see just what the apparent victory by the conservative gerontocracy really means.

There are many possibilities, few encouraging. The worst is that much of the benefit of the attempted reforms of the last decade will be lost and the country will slide back into a period of stagnant and dangerous introversion similar to the disastrous period of the Cultural Revolution. The most likely is a prolonged period of confusion with purges, great or small, and jockeying for position while foreign investment and international confidence decline.

It is ironic that the renewed upsurge of unrest should have coincided with the restoration of Sino-Soviet relations. The split originally occurred over ideology, including the proper direction of economic policy. By the late 1970s it was clear that the different but equally centralised paths chosen by each country were failing to deliver economic prosperity. China started reforming first and made progress in some parts of the economy, notably agriculture where collectivisation has often been replaced with free markets and an increasing preference among farmers for cash crops. Redundant agricultural workers have been transferred into light industries.

### Party authority

Mr Deng Xiaoping, the ageing Chinese leader, supports liberal economists but repeatedly rejects them once it becomes clear that their approach to reform involves challenging or circumscribing the supreme authority of the party. In this respect Deng and the coterie of surviving leaders from the Long March and the great Communist revolution have failed, and apparently continue to fail, to appreciate that individuals who are asked to take decisions for themselves in a more market-responsive economy will also eventually demand more personal and political freedoms.

These pressures can be articulated first by the active intelligentsia, principally students, as in China in 1986 and again during recent weeks, or by workers, as in Poland. Often they do not know precisely what they want but they are certain that they want change. When the two groups come together, as happened in Poland and as appears to have happened for a brief period in the current upheaval in China, a powerful force for change is created, threatening the very basis on which a centralised Communist state is founded.

The fact that the Chinese leadership has patiently sat it out and avoided violent conflict does not mean that the pressure has been eliminated. An increasingly large and frustrated body of opinion is building up as the Chinese leaders persistently fail to match economic reform with political reform.

### Shared difficulties

Mr Gorbachev, impressed by China's efforts to become a more coherent player in the world economy, was also aware of the dangers of decoupling economic from political reform. He has tried to approach the two in tandem, even giving some precedence to political change. Yet he shares, for different reasons, some of China's difficulties.

Both the Chinese and Soviet leaders are now on tricky ground. The Chinese economy is in an appalling state, reform notwithstanding. In the Soviet Union the economic fundamentals are in worse shape than when Mr Gorbachev took office. But both are facing strong demands to deliver increasing prosperity and greater personal freedom.

It may be that a logical way forward for these giant but internally heterogeneous countries will be for each to establish a much greater degree of devolution of economic and political power. Such a move would require a dilution of the central party omnipotence and structure which, at present, seems scarcely conceivable. Whatever happens next the Chinese are ultimately going to have to accept, as Mr Gorbachev has done, the indivisibility of political and economic reform.

*ECONOMIC VIEWPOINT*

# Fatal lure of sterling gimmicks

By Samuel Brittan

Veterans of sterling dramas will be very familiar with occasions when the pound continues to fall despite a rise in interest rates designed to support it. The number of options then facing the Government is, as always, limited. It can do one of four things:

1 It can try to sit things out.
2 It can intervene in the exchange markets to support sterling, heavily if necessary.
3 It can raise interest rates again.
4 It can try to think of something technical and clever.

No 4 is worst of all.

No 1 – sitting it out – can sometimes work if it simply means that the Treasury and the Bank of England regard the pressure on sterling as an aberration. But then it surely becomes rational at some stage to switch to the second intervention option and spring what used to be called "a bear trap."

The danger of the sitting-it-out option is that it can come to look as if some in the Government or Bank do not care where sterling goes.

We do not need to argue about whether the policy of not worrying about sterling is right or wrong. In all the years I have been watching these matters I have never seen any major Government follow a policy of benign or malign neglect of its currency through to its bitter end. At some stage fears of a free fall in the currency develop and policies are tightened in a panic.

On this occasion the British Chancellor has a stated policy of opposing devaluation. The known hostility of the Prime Minister's circle to targeting the exchange rate makes currency management more difficult for the Chancellor without – for the reason mentioned in the preceding paragraph – providing a realistic alternative to such management.

The lack of definition in the Chancellor's commitment may be of some tactical help in day-to-day exchange rate management. But it becomes a handicap in periods of pressure when there are no clear benchmarks to guide expectations, as there were under Bretton Woods and are under the European Monetary System.

A realistic anti-depreciation policy must allow some margin for swings and market management. But sterling is now near to levels which cannot be explained away in this manner. The markets do need to be assured, as they are not at present, that the Chancellor's words about interest rates being held "high enough and for long enough" to fulfil their purpose will not be undermined by anyone, however highly placed.

The Prime Minister is also scoring own goals by using the same inflation indicator – the Retail Prices Index including mortgage interest – as Neil Kinnock does, but without Mr Kinnock's political justification. Heaven knows that the Treasury has underestimated inflationary pressures for nearly four years running. But it only makes matters worse to use a presently exaggerated measure subject to perverse distortions. Its worst effect is that when interest rates rise to combat inflation, the RPI registers an increase instead.

In contrast to the row over exchange rate policy where principles – however misunderstood – might be thought to be at stake, the Prime Minister would lose nothing, not even face, by following her Chancellor's measure of inflation. This is, of course the RPI with mortgage interest removed, and shows an underlying inflation rate of just under 6 per cent. While far from ideal, it is much less misleading than the crude RPI.

Indeed following her own *Chancellor's chosen inflation* indicator is the minimum required by elementary loyalty to her appointees, the lack of which has certainly been noticed by the financial markets. Public criticism of the Chancellor's earlier shadowing of the D-Mark is not reversed by a telephone call suggesting it was all the fault of the press. And the leaks and denials about the fate of the Foreign Secretary, Chancellor and others, which followed this episode, could have been more effectively scotched.

The very worst reason for not raising base rates to 15 per cent is the effect via the mortgage rate on a distorted inflation indicator. The next worst reason is the effect on Conservative fortunes in the Euro-elections, which are already a lost cause due to a series of own goals in the political sphere. Much greater damage would be inflicted to Conservative chances of a fourth term at Westminster by a failure to deal with sterling and inflation. A more serious reason is the sincere belief of both the Treasury and the Bank that the domestic economy does not require an interest rate rise. But that could become less important than demonstrating that they are in control.

The tragedy is that, in contrast to the projections of mainstream forecasters, such as the Organisation for Economic Co-operation and Development, there are many signs that world inflationary pressures may at last be on the turn, but the British Government is failing to take advantage of the changing world climate. A strong dollar is usually a source of contractionary pressure – because other countries tighten policies to limit their own depreciation against the dollar. American monetary policy is at last seen to be tight, not only because of the monetary numbers but because of the confirmation they receive from world commodity and gold prices.

If the British Government showed a united will to carry through whatever level of interest rates is required to support sterling it might be favourably surprised at how quickly the interest rate peak would be over.

One reads instead about political pressures inside the Conservative Party to "readopt monetarism". But what on earth does that mean? On the basis of the Treasury's preferred target, M0 (nearly all notes and coins), the money supply has been almost unchanged in the last six months, suggesting deflationary overkill. An even stronger impression of overkill is created by non-interest bearing M1 (cash plus sight or current deposits). On the other hand, the Government's original broader measure M3, one still favoured by the now fashionable Tim Congdon, is up by about 20 per cent per annum with little deceleration in sight. The same applies to the superior version, M4, which includes building society deposits. Bank and building society loans are rising even faster. It was precisely because of such megaconflicts between different monetary indicators that sterling came to have the place in British policy to which Professor Milton Friedman objects.

For many politicians the call to revert to simple monetarism is simply a search for a quick fix: some painless technical gimmick to eliminate inflation while no one is looking. I was surprised to find that Tim Congdon, who is a serious analyst, put such emphasis on the gimmick of overfunding in Monetarism Lost (Centre for Policy Studies, £6.50). Although I came to the position from the side of sterling, I agree with Congdon that the roots of the present inflation go back to the failure to tighten policies in 1985 and 1986. Doing so would have involved higher interest rates and could not have been achieved just by overfunding.

Overfunding is simply the sale of more gilt edged government securities than are needed to finance government deficits – or the failure to purchase such gilts when the Government is in surplus. The effect is to raise long term interest rates relative to short ones. Why this particular market distortion and twisting of the yield curve should be counter-inflationary has never been satisfactorily explained.

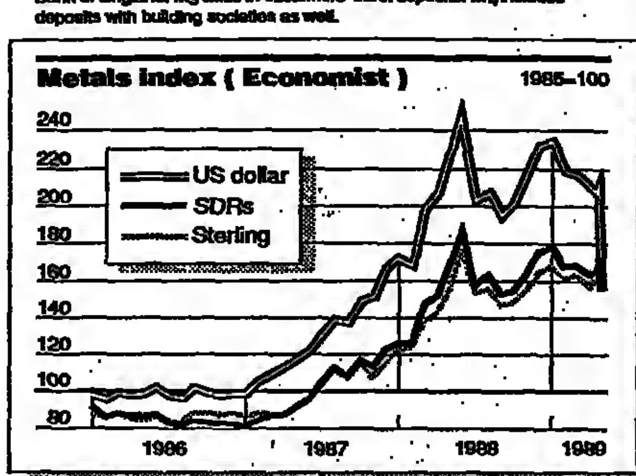
If the Bank of England sells more gilts than it needs, it has to buy something else with the proceeds – in practice commercial bills. Thus business borrowers become indebted to the Bank of England rather than the commercial banks. The assets and liabilities of the banks are reduced, which means a lower total for broad money. But this is merely a cosmetic aspect.

The Chancellor of the Exchequer, who played a key role in drafting the original Medium Term Financial Strategy needs no lessons in monetarism. But he could do with a little support from those now showing a tendency to leave the kitchen when the temperature rises.

**Money supply changes**

| Annualised rates, seasonally adjusted | M0 | M3 | M4 |
|---|---|---|---|
| 12 months to April, 1989 | +5.7 | +20.6 | +18.1 |
| 6 months to April, 1989 | +0.9 | +19.0 | +16.7 |
| 6 months to October, 1988 | +7.7 | +19.6 | +17.2 |
| 12 months to April, 1988 | +6.1 | +19.7 | +15.8 |

M0 consists of notes & coins plus a tiny amount of banks' deposits with the Bank of England. M3 adds in customers' bank deposits. M4 includes deposits with building societies as well.




*BOOK REVIEW*

# The ghost of past truths

**BARBARIAN SENTIMENTS: How the American Century Ends**
**By William Pfaff**
*Hill and Wang, New York, $19.95*

Occasionally in the world of current affairs, just very occasionally, there comes along a book with a clarity of intellect, a subtlety of language, and a *confidence* of tone, which mark it out as a significant and essential addition to the bookshelf.

Such a book is Pfaff's *Barbarian Sentiments*. Do I exaggerate? Possibly. Pfaff's book is not argumentative, investigative, evidential; his discourse is a subtle, rueful reflection on truths we should have known, but which in the last 40 years have been distorted by the power strategies of East and West, and by the wilful ideological stereotypes of the New World. The book's title comes from a quotation by a Manchu mandarin, introducing a collection of documents on European practices: "In order to handle barbarian affairs, you have to know barbarian sentiments; in order to know barbarian sentiments, you have to know barbarian conditions."

The identity of today's barbarians remains, in Mr Pfaff's book, *deliberately ambiguous*; but his repeated theme is that America this century has consistently pursued misguided policies, because it has consistently misunderstood both itself and the rest of the world. "America's problem," he says, "is how to free itself from the grip of its exhausted ideas." These ideas include the notion that the rest of the world deeply admires, and would naturally wish to emulate, American values; that there is a forward progress in the world's affairs, culminating in American-style democracy; and that America has a *morally superior* and disinterested mission to contribute to the reform of the world's affairs.

And yet, says Pfaff, Americans *know* that their political language is false and that their ideas are sentimental and self-aggrandising. Pfaff's analysis clearly owes a great deal to his position as an American columnist on international affairs for the Paris-based International Herald Tribune; as an American he has been deeply concerned about the US, as a travelling writer he has had to think long and hard about the international scene, and his home in Paris has given him a European vantage point. It is *this European vantage point* which most strongly marks Barbarian Sentiments.

"A central argument of this book," he says, "is that Europe still is crucially important . . . It can't be counted out, as Americans have been inclined to do since the 1940s. It is more important to the American future than Asia or the Soviet Union or Latin America. It is more important to the civilisation in which Americans live because that civilisation remains fundamentally a European one . . . .

"For 400 years European civilisation has dominated the world. It is convenient, and flattering, for Americans to assume *that this is all over*; but it is very rash to do so . . . So long as intellectual and moral energy radiates from Europe, its pre-eminence *is not over*; and the *evidence* today is that Europe's dynamism, far from lost, is in fact intensifying."

Moreover, Europe is not *merely strong but different*. In contrast with the US, says Pfaff, Europeans naturally resist the fatalism of the marketplace, sustain a tradition of political élites, and believe in state-supported social welfare. "Virtually nowhere in contemporary Western Europe, with the qualified exception of Britain under Mrs Thatcher, is there a major political party whose views on the *economy, distribution of income*, social insurance and welfare, and planning are not to the left of the Democratic Party in the United States."

In short, "West European nations have less in common with the United States than 40 years of slogans about the free world and Atlantic civilisation suggest . . . It has been taken for granted that no alternative has existed to intimate transatlantic political and military relationship, such as we have known since the 1940s. But alternatives have existed, and they exist today."

He goes on: "Indeed, Europe in the future may count for more than the United States. Its is the more formidable historical record." At this point, I hesitate. The busy reader may here expect a crisp summary of the succeeding steps in the Pfaff thesis; where the world is going, why this is indeed The End of The American Century, and what Washington should do about it. But the point of *this book is (a) that Pfaff is not* interested in that kind of crisp, masterful prescription, so favoured in the seminar circuit, (b) that he claims the world is much more complicated and rebarbative than official Americans have wanted to *believe, and (c) that the elegance of his style would be otiose in a one-page summary*.

Moreover, I am not sure that he ever makes a four-square transition from iconoclasm to prescription. At the end he suggests, tentatively, that the solution to America's intellectual and moral confusion over *foreign policy* is to revert, once more, to its natural condition of isolationism. But his purpose is less to propose solutions than to point out the truths which we should always have known. And that is a difficult enough task by itself.

**Ian Davidson**

# PRO NED's new ambition

■ PRO NED, the body set up by (among others) the Bank of England to promote the concept of the non-executive director, is to have a new head. Douglas Strachan (pronounced Strawn), who has led it since 1985, *is leaving at the end of* next month to see if he can pick up a clutch a non-executive directorships of his own. Nowadays, he reckons, they are worth about £8,000-£10,000 a year in a big company.

Strachan will be succeeded by *Colin St Johnston*, formerly deputy chief executive at Ocean Transport and Trading plc. St Johnston says that Strachan rang him up out of the blue *two or three months ago*, asked to see him and offered him the job. His own company had already used PRO NED, and he became very excited by the prospects.

It will be a different job from before, however. PRO NED *has made its impact on most* of the big firms: the list of companies that have consulted it is a catalogue of mainstream British industry and commerce. Tesco was *one* of the first. Nowadays many of them regard having non-executive directors on the board as a matter of course. The new challenge is to persuade medium-sized companies – with a turnover of £50m to £250m – to follow suit.

The task is two-fold. First you proselytise, *telling chairmen* that the presence of independent directors on the board can help the company. Then, if necessary, you provide the candidates. Strachan *says that* PRO NED keeps a list which presently contains about 500 eligible names. You can apply to be on it, but the problem *is that there are far more* names than vacancies.

An ideal candidate would be about 50, a director on the main board of a company with a largish *turnover*, responsible for a considerable chunk of the budget, but not the chief executive. In other words, someone in mid-career who wants to broaden his or her experience. The big company, according to Strachan, would be prepared to let its board *member have time off, but not* all the chairmen of the smaller companies want this outside advice.

How many non-executive directorships is it reasonable for an individual to hold? Strachan's view is that if you are a *part-time chairman, doing* one day a week, you can't take more than three. Without being a part-time chairman, you can have six to eight.

# *OBSERVER*


## Tight stuff

■ Such was the security surrounding the American ambassador's residence in Regent's Park ahead of the visit of President Bush that at a party on Tuesday for the departing minister and his wife, the pair of them found it difficult to gain entry. Since they were not on the list of invited guests, the security guards said that they should not be there.

## Volunteers?

■ The Home Office is having some difficulty in finding a suitable chairman for the committee it wants to appoint to review the law affecting the media. He or she can hardly be a professional journalist because that might be prejudicial, *even if he or she had* the time. There is no great disposition to appoint a lawyer, because that might be too narrow. The present Government *does not like* royal commissions. But nor was it wholly impressed by the workings of the Peacock Committee on the Financing of the BBC, which was a kind of substitute for a royal commission. The Peacock Report was thought to have exceeded its brief and been too independent. Thus, on media law, the search continues for someone robust, (quite) independent, outside the media, respected and ready to provide about three days a week for around six months. The appointment should have been made a few weeks ago; it is now hoped to find someone before the summer recess.

## So very British

■ There is a peculiarly British myth, prevalent in – but not confined to – the Foreign Office, that the main purpose of British foreign policy is to keep the Americans on the rails. *The theory goes that the* United States is very large, very powerful and, on the whole, well-intentioned. It must be kept on the British side at all costs. However, being rather a big beast, and one without too many traditions, the US is also rather cumbersome. It does not understand nuances or subtleties and cannot be expected to *know how to behave in the* world of diplomacy. The State Department may have some very good people, but they need guidance: otherwise they might start a shooting war or, even worse, the US might retreat into isolationism. Who better to keep the Americans on track than the sophisticated, experienced British, who have links to the old world and the new? After all, if the Americans had to talk *directly* to the French or the Germans, they'd get out of Europe overnight.

The myth is quite wrong. It was the Americans who got us out of Suez. It is the Americans who will make the running in *any long-term settlements* in the Middle East and southern Africa. And it was President Bush who got Mrs Thatcher off the hook on short range nuclear weapons. The US President probably also thinks that Britain should become a *full* member of the European Monetary System. But the trouble with the Americans is that they are too polite and civilised to say so outright.

## Tough ride

■ Airport Car Service is raising its charges for today by 50 per cent. The reason it gives is not the straightforward one that it is taking advantage of the latest strike on the London Underground. It says that the strike imposes extra wear and tear.

## Solidarity

■ The heads of the London and Paris stock exchanges go on safari together and find themselves cut *off from their* party in the African bush. A none-too-friendly lion approaches. The Frenchman reaches for his bag and starts putting on his running shoes. "You'll never run faster than the lion," says the Englishman. "That does not matter," says the Frenchman, "so long as I can run faster than you."

**Stephen Fidler on the prospects for a leap forward for British junk bonds**

# Mezzanine debt reaches first floor

According to its most vigurous proponents, mezzanine debt – the equivalent of America's junk bond market which some in the City of London believe may now be on the verge of rapid expansion in the UK – will help reshape corporate Europe.

It will do this in part, they claim, by increasing the price buyers will pay in so-called leveraged buy-outs, company takeovers financed by the creation of significant amounts of debt. In doing so, "mezzanine debt will facilitate hostile transactions," says Mr Walter Marlowe, managing director of the acquisitions and finance group at Security Pacific Merchant Bank.

Traditionally, conventional buyers have been willing to pay higher prices for companies than leveraged buyers, because of the supposed synergies and cost savings which mergers can generate. Since leveraged buyers will be able to pay more, that may change. "Mezzanine levels the playing field between trade and leveraged buyers," says Mr Mark Storey of the Bank of Boston.

In Britain, buy-outs have traditionally been accomplished by the issue of senior debt – bank loans mostly secured against the target company's assets – and equity. But buy-out targets have become more expensive, forcing buyers to pay greater premiums to asset values.

Banks have been willing to provide more finance for such deals than in the past, as they have become more inclined to lend on the basis of what companies can afford to pay – their cashflow – instead of their assets. The cashflow of many companies will support more debt than is implied by their assets. Nevertheless, in many deals the sums senior creditors and equity investors are willing to provide still often fall short of the prices sellers are demanding.

Mezzanine debt is meant to plug that gap. Holders of mezzanine debt rank below senior debt holders in the pecking order if things go wrong. In most deals, mezzanine debt holders agree to do nothing for six months in the event of a default, allowing senior lenders to secure the repayments of their own loans. In return for this, they get a fatter interest margin or some equity in the company, or usually both.

Even traditional takeover financings in Britain have occasionally incorporated types of mezzanine finance in the form of subordinated loan stock or redeemable preference shares. But these were either placed with vendors or sold as a job lot with other parts of the financing. What is new with mezzanine debt is that it can be sold to others not otherwise linked to the takeover.

Bnt while the UK lags behind the US in development of the market, continental Europe is much further behind. Mezzanine debt has been used on a few isolated deals, most financed from London. Specialists predict an uneven growth of LBOs and mezzanine debt in Europe, depending on diverse factors such as how deeply embedded is the entrepreneurial culture and the readiness of local banks to provide finance.

Since its first recorded use in the UK in 1984 until the end of 1988, £575m of mezzanine debt was issued in 43 buy-outs worth a total £3.72bn, according to statistics compiled by Peat Marwick McLintock. The percentage of buy-outs using mezzanine climbed gradually to 40 per cent in 1988.

But in 1989, it could take a great leap forward. If two proposed deals go ahead – a £630m management buy-out of Magnet, the kitchen retailer, and a newly enlarged £1.87bn attempted "buy-in" by outside shareholders of the Gateway supermarkets group – the mezzanine market will more than double in size.

**Use of mezzanine on UK MBOs over £10m**

| | MBOs using mezzanine | | | | |
|---|---|---|---|---|---|
| | number | amount of mezzanine (£m) | total value of deals (£m) | percent of MBOs using mezzanine | average size of mezzanine level (£m) |
| 1984 | 1 | 2 | 10 | [illegible] | 2 |
| 1985 | 4 | 82 | 419 | 20 | 20 |
| 1986 | 6 | 92 | 312 | 21 | 15 |
| 1987 | 14 | 195 | 1486 | 33 | 14 |
| 1988 | [illegible] | [illegible] | [illegible] | 40 | 10 |
| 1989* | [illegible] | [illegible] | 510 | 37 | 10 |

* First four months (excludes incomplete transactions, including Gateway, Magnet deals)

Source: Peat Marwick McLintock

The Magnet deal includes £190m of mezzanine debt, divided into two portions which pay higher interest rates than the better secured senior debt, and allow the holders a slice of equity.

The Gateway buy-in – so-called because it is being mounted by outsiders rather than existing management – is built upon £200m of equity and includes the largest portion of mezzanine debt in any UK deal, £375m divided into three slices. On top of the pile, £1.9bn of senior loans will be provided by banks for bid finance and to refinance existing debt and provide working capital.

The mezzanine is underwritten by General Electric Capital Corporation, the finance subsidiary of the US conglomerate, and Standard Chartered, the UK bank which has established a fund which can commit up to £100m a deal into mezzanine loans, and Investors in Industry (3i), the UK buy-out and venture capital specialist.

It is split into three parts:

● The most senior is £125m of so-called bridging mezzanine, to be paid off by disposals of Gateway businesses, in about 18 months. It yields 4 points above money market rates.

● £100m of senior mezzanine maturing in eight to 10 years with a margin of some 3½ points over money rates. It carries warrants exercisable into 5 per cent of the equity. The expected rate of return, given a moderately optimistic outcome, is an annual 20 to 21 per cent.

● £150m of junior mezzanine which carries similar maturities and interest margins to the senior mezzanine, it carries warrants exercisable into 15 per cent of Gateway's shares. If things go as expected, the higher risk should be compensated for by higher returns, of just under 30 per cent.

On the same basis, the anticipated annual returns on the equity should be 35 to 45 per cent.

Some bankers would like to see a European version of the US junk bond market to help restructure corporate Europe in the run-up to 1992. Although there is now some controversy over how well investors in junk have fared, Drexel dominated a junk bond market which grew from $8bn in 1978 to $153bn at the end of last year. This market and the newly emerging leveraged buy-out combined to transform corporate America in the 1980s.

But it had a price. Takeovers often generated conflict and some well-publicised failures. Huge debt burdens left many companies highly vulnerable to a business downturn and many famous corporations were split up or were taken private.

As they did this, an unprecedented reduction in the overall capitalisation of the US stock market took place. Salomon Brothers estimates that this year alone nearly $110bn of equity will be taken out of the US market as acquisitions, mergers and LBOs dwarf new share offerings.

The prospect of such US techniques spreading to Europe has brought a mixture of excitement and alarm. Yet, although such techniques appear destined to grow in importance, many obstacles stand in the way of rapid expansion.

One of the prime constraints is the lack of natural new investors for mezzanine debt. The US junk bond market tapped demand in areas for which there is no parallel in the UK, where the corporate bond market has been until now underdeveloped.

In the US, pension funds and insurance companies buying for annuities fuelled the market, as did savings and loans institutions newly freed to deploy resources outside the housing sector. Funds, marketed to the public through retail brokers such as Merrill Lynch, took another huge slice.

In the UK, apart from banks reaching down for riskier credits in order to obtain higher yields, the other main investors so far have been a handful of specialist mezzanine funds.

Drexel Burnham Lambert, the US securities house now embroiled in controversy over its pioneering role in the US junk bond market, has created one such fund, of £200m. Nevertheless, the chief providers of finance for such funds have again been commercial banks.

But commercial banks are eager to make high-yielding loans and there is capacity for significant fnrther growth based on that alone. However, if banks build up mezzanine loan books significantly, such risky lending seems bound to start worrying bank supervisors, and raises questions of conflict of interest where banks make both mezzanine and senior loans.

Convincing UK investment institutions, which have historically favoured equities, of the mezzanine's advantages is thus important. But it will be some time before they want to dilute their equity with debt. The objections of institutions, led by Sun Life, to a high-yielding preference share in the Magnet buy-out give an indication that the institutions could dig their heels in on this issue.

Furthermore, closer relationships exist between UK institutions and the companies they own than in the US, where takeover battles are won on the basis of price, in part because of the US arbitrageurs who often end up owning significant amounts of stock.

It is clear that City institutions have strong reservations about encouraging management buy-outs because of the suspicion that management are feathering their own nests at the expense of shareholders. Indeed, a shareholder backlash against LBOs in the US could already be under way.

There is no doubt moreover that the levels of debt with which US companies and bankers are comfortable – often equivalent to 10 or more times equity – still make companies and banks wince in Europe. After years of economic expansion, taking on high levels of debt may be providing a hostage to fortune. Neither are the tax advantages of debt over equity so obvious in the UK and Europe as in the US.

While many areas in the banking and securities business are in retreat, mezzanine debt offers high profits to bankers and temptations to managers to make great fortunes. But City investment institutions are by nature conservative and non-bank buyers of mezzanine debt will prove harder to find in Europe than across the Atlantic. The tension between these two forces argues for modest growth in the mezzanine debt market, but growth which, none the less, could eventually change Europe's corporate cultures.

*LOMBARD*

# Labour and the market

**By Martin Wolf**

ONE THING is quite clear about the British Labour party's policy review: the party has come a long way in a short time, not least in joining almost the entire world (with the notable exceptions of the governments of Albania, Cuba, East Germany and Romania) in embracing the market.

But the embrace is a gingerly one. This is shown in remarks that "the economic role of modern government is to help make the market system work properly where it can, will and should – and to replace or strengthen it where it can't, won't or shouldn't."

One reason the embrace remains half-hearted is that the market itself is misunderstood. The review points out, for example, that "it is the community that suffers from the market's deficiencies. It is the community – through its government – that must make the effort to ensure that those deficiencies are made good . . . If we are to compete in a world where the new currencies are information, knowledge and skills, we must fully mobilise the talents and skills of all our citizens in a way that the market alone cannot do."

But the market *is* the community, far more so than any elected government can hope to be. It is the community making decisions in a particular, highly decentralised, generally effective way.

There are cases in which those decisions are clearly undesirable, others where they are arguably so. When acting in the market, members of the community are unequal. But it *is quite wrong to pretend that* "we" are acting when market transactions are overridden by political fiat, bnt not when engaged in them.

The market works through competition, by allowing people the right of "exit". Politics works through the exercise of "voice". The present UK Government has great faith in "exit." Given old doubts about the market and new doubts about centralised government, the Labour party's policy review shows an extraordinary attachment to "voice." Mrs Thatcher's ideal citizen shops; Mr Kinnock's belongs to committees.

The theme of citizen participation comes in the introduction to the document, with the statement that "throughout this policy review we develop the case for a democratic, decentralised form of government, involving people as directly as possible in the decisions which affect them . . ." The idea appears most intriguingly in the proposed alternative to Morrisonian public ownership: "We favour the extension of new and more flexible forms of common ownership right across the economy. Our ideal is an economy in which enterprises are owned and managed by their employees – or, where more appropriate, by consumers or local communities – and thereby serve the wider interests of their consumers and the community."

This is nonsense. If enterprises work in a competitive environment (this is not entirely clear, for example, of the proposed extensions of competitive municipal enterprise), then the scope over which the powers of ownership can be effectively exercised is quite limited. Ownership is unimportant. Where the environment is uncompetitive, these organisations will in practice be run by (and usually for) coteries of the leisured, the fanatical or the careerist. As individuals, ordinary busy people would find themselves as completely precluded from effective influence over the decisions that govern their lives as under present arrangements – and in the absence of vigorous competition, more so.

Whether you are one voice out of thousands or even millions *is far less important than* the effect of decisions upon you. My ability to vote for the perpetually losing side in my local council election is of nugatory value. I would prefer an unelected body which managed to clean the streets. (More frightening is the idea of workplace democracy.)

The Labour party has come a long way, but it still has to overcome some prejudices about the market, along with quite a few illusions about the role of popular participation. Can I be alone in preferring a Morrisonian dinosaur to a supposedly productive enterprise controlled by a committee of its crankiest customers?

# *LETTERS*

## Baggonet-bashing

*From Mr C.J. Mandleberg*

Sir, It is impossible to doubt the sincerity with which Mr Edward Heath, the former British Prime Minister, has striven for so long to promulgate the concept of a united European Community.

Equally, Mrs Thatcher's electoral success surely demonstrates the accuracy with which she has interpreted the sentiments of a large part of the English electorate.

Many of us voted, in the original referendum for membership of the European Community, precisely on the grounds Mr Heath now decries: a free trade area, pure and simple. We might have voted otherwise if we had appreciated the extent to which we would be called on to surrender national sovereignty.

Mr Heath may be right in declaring that national sovereignty is an outdated concept (though recent events in many parts of the world seem to indicate that there is as yet no general acceptance of this). But the English in particular remain convinced that, in the UK, the Westminster Parliament is and should be supreme. What is enacted at Westminster is still generally accepted, even when it conflicts with powerful sectional interests. (Trades unions have accepted mnch legislation inimical to cherished traditions of the movement; they seek to work within it.)

Setting aside accusations of Marxism which may or may not be well-founded (while, as Mr Heath points out, the present west German government is "right of centre," the industrial legislation it supports might be considered to incline further to Marxism than our own), Mrs Thatcher probably interprets correctly a large proportion of her electoral base in opposing detailed European interference with the ultimate sovereignty of the Parliament at Westminster.

The electorate's belief that most EC directives are bureaucrats' brain-children which receive little or no scrutiny by elected representatives, is not wholly ill-founded. It may be appropriate to quote another accurate interpreter of popular English sentiment, G.K. Chesterton:

*"I knew no harm of Bonaparte and plenty of the Squire,*
*And for to fight the Frenchmen I did not much desire;*
*But I did bash their baggonets because they came arrayed*
*To straighten out the crooked road the English drunkard made."*

Irrespective of domestic party political views, this is a reasonably accurate encapsulation of popular sentiment in the UK.

C.J. Mandleberg,
*Euloe House,*
*Cuddington,*
*Northwich,*
*Cheshire*

## A PEG for the CAP

*From Mr S. Rickard.*

Sir, Professor Harvey's extravagant claims for his producer entitlement guarantee (PEG) policy should not be allowed to go unchallenged (Letters, May 25).

Any EC farm policy must now be judged against two objectives: production control and its impact on the environment. The PEG policy is unlikely to curtail production, and would probably damage the environment.

He proposes a system of farm level "qnotas" which would maintain "current support levels" with direct subventions from the taxpayer for about 80 per cent of production. But farmers would be free to exceed their quota and sell at the ruling market price. Arable production is unlikely to fall, and the lower cereal prices would certainly expand meat production.

Also, I doubt if our competitors would accept our exports as being other than subsidised. The PEG seems to embody all the disadvantages of quotas without the benefits.

The PEG has nothing to offer the environment. There is no money left over for such projects. Yet farming's role in the countryside and environmentally-friendly farming techniques are coming to dominate agricultural policies.

We can only control production and satisfy the demands for the countryside by encouraging less intensive farming techniques. Professor Harvey's policy will do the opposite.

S. Rickard,
*The National Farmers' Union,*
*Agriculture House,*
*Knightsbridge, SW1*

## Runways for British business

*From Mr D.C. Leggett.*

Sir, As a former chairman of BAA, Sir Peter Masefield writes from personal knowledge (Letters, May 24) when he stresses the need for adequate runway capacity at Heathrow and Gatwick. As a pioneer of the concept of company aircraft as a tool of British business, he must also know the need for whatever facilities are provided to be made freely and fairly available to all classes of user.

But the policy of the Civil Aviation Authority (CAA), as set out in its recent publication CAP.548 – Traffic Distribution Policy for the London Area – is that such facilities should be provided selectively and to favoured categories of traffic.

Business aircraft already operate under considerable restriction at London's big airports. The CAA not only recommends that these restrictions should be continued, but is also considering the possibility of extending them to airspace itself.

This association represents the interests of some 50 important British companies which own or operate their own aircraft. They contribute an estimated total turnover of £20bn, and one million jobs, to the British economy. A policy of restriction must have some damaging effect on a contribution of this kind – and indeed on the whole concept of free trade in Europe after 1992.

Not only the amount of runway capacity, but the way in which that capacity is *used* is particularly important.

Derek Leggett,
*Business Aircraft Users Association,*
*PO Box 29,*
*Wallingford, Oxfordshire*

## Help offered by Japan

*From Mr Gunkatsu Kano.*

Sir, Peter Montagnon's reference (May 23) to the often heard criticism of Jepan's untied official development assistance (ODA), seems to give readers a misunderstanding of the reality of Japan's efforts to promote the untying of its ODA.

Japan is aware that there still remains a certain suspicion or criticism in this respect. But I should like to emphasise that most of such criticism is based on misunderstanding. In 1986 the generally untied percentage (71.0 per cent) surpassed the Organisation for Economic Co-operation and Development (OECD) development assistance committee (DAC) average (61.5 per cent). These figures suggest that the tying status of Japan's ODA is good.

Broadly speaking, Japan's ODA consists of capital grant assistance, ODA loans, and technical co-operation.

With regard to capital grant assistance, particularly bilateral aid, Japan's most significant untying initiative is the on-going $500m non-project grant assistance, which is totally untied. Japan has appointed the Crown Agents as a reliable third party whose task is to ensure the appropriateness of procurement.

On the matter of ODA loans, which particularly receive criticism, the proportion of general untied assistance out of Japan's total bilateral loans is high (61.6 per cent in the financial year 1987 – 10.8 per cent up from financial year 1986).

In addition, Japan recently re-confirmed its intention of promoting further untying, and started the gradual introduction of the general untying of the consultant service portion (or engineering service loans), which had remained altogether untied for LDCs (less developed countries). Procurement is open both to Japan and all the LDCs.

This contribntes to ever increasing opportunities for Western consultant companies to participate in Japan's ODA. For example, the railway signalling project in Thailand, the hydro-electric project in Papua New Guinea, and the railway electrification project in China have been implemented by UK companies.

In the field of technical co-operation, Japan recently opened the way for the use of foreign consultants in development survey projects by the Japan International Co-operation Agency.

As I say, Japan is keeping np its efforts to make its ODA open to the world. I hope these comments contribute to your readers' better understanding of Japan's real efforts towards untying aid.

Gunkatsu Kano
*Director, Information Centre,*
*Embassy of Japan,*
*48 Grosvenor Street, W1*

FINANCIAL TIMES
Thursday June 1 1989



# Alfonsin, Menem reach accord on policy

By Gary Mead in Buenos Aires

PRESIDENT RAUL ALFONSIN and president-elect Carlos Menem of the opposition Peronist Party yesterday signed an 11-point accord aimed at tackling Argentina's political and financial crisis. Their unscheduled meeting followed three days of the most serious civil disorders in Argentina since May 1969.

The agreement follows the widespread looting of supermarkets in the city of Rosario since Sunday and similar disturbances in the working-class suburbs of Buenos Aires where as many as 7m (out of a population of 32m) live.

Thougb Rosario, 312km north west of Buenos Aires, was calm yesterday, violence continued to flare during the day in Buenos Aires. According to police estimates, 12 have died, several hundred have beeu injured and more than 1,000 arrested since the rioting began.

The Alfonsin-Menem accord ratifies an informal agreement reached on May 18, whicb includes a decision to send a joint governmaut Peronist team to the US to "discuss external debt issues with international credit organisations." Argentina has $60bn of foreign debt and its interest payments are now $3bn in arrears.

They also endorsed the decision to impose a national state of emergency on Monday and jointly attributed the rioting to "the action of ideutified groups" which have exploited "serious conditions amongst the poorest sectors of society."

As part of the accord, a joint commission will be established to redraft 1989's national budget, to "alleviate the current crisis."

Although both men discussed the current nationwide state of emergency, they apparently did not consider the possibility of Mr Menem taking over the presidency before December 10, the date under the constitution. Mr Menem was elected President last month.

Indications that Argentina's economic crisis has some way to go before it recovers came yesterday with annual interest rates hitting 1,850 per cent and a government announcement of the imminent issue of a new banknote with a face value of 50,000 australs ($286).

Last week the highest value note worth 5,000 australs was then issued. Despite the new high value banknotes people are finding it almost impossible to obtain cash.

Battle lines drawn, Page 6

# The power broker behind Bhutto

**Christina Lamb** in Islamabad looks at possible CIA involvement in the sacking of General Gul, head of Pakistan's military intelligence

AFTER six months of "government without power," Ms Benazir Bhutto, Pakistan's Prime Minister, finally seems to have taken charge. She has sacked General Hamid Gul as head of military intelligence, known as ISI and responsible among a lot of other things for implementing Pakistan's Afghan policy.

Ms Bhutto has made her first real move to take Afghan policy into her own hands by replacing General Gul with Mr Shams-ur-Rahman Kallue, a retired general who can act independently of the army and who is known for his outspoken views.

However, what initially appeared like a direct challenge to the military by Ms Bhutto now seems more likely to have been an involved plan engineered by the US Central Intelligence Agency to make General Gul a scapegoat for the failure of its own Afghan policy.

Ms Bhutto has been anxious to oust General Gul since she took office in December. She and her mother both suffered greatly at the hands of ISI during martial law under General Zia ul-Haq's rule. She launched an investigation into the intelligence services and promoted General Gul, hoping to move him "up and out." But she was initially thwarted by the CIA which had trained General Gul in the US and which relied on ISI to distribute US arms to the Afghan resistance groups.

However, ISI was not only implementing policy but making it, coming into conflict with Pakistan's Foreign Office which feared General Gul was dragging Pakistan into war with Afghanistan.

ISI has recently come under increasing public attack for its interference in Afghanistan, particularly for pushing the mujahideen resistance into an attack on Jalalabad which, in three months, has cost many lives but made little progress.

General Gul, who had openly boasted that the mujahideen would capture the city within three days – a curious assessment by an experienced military leader who should have known bow difficult it is to take a city "protected" by a river – found tha blame directed at him, although senior intelligence sources say the CIA was well aware of the strategy.

The CIA regards ISI as the most sophisticated network in the Third World and relies on it for Gulf intelligence, using the many Pakistani soldiers in Saudi Arabia and Oman and advisers in Iran. The US organisation's leaders felt General Gul had to be sacrificed to save the institution and clear their names.

According to US officials the last straw came when a front page story appeared in the New York Times accusing Ms Bhutto of having ordered the attack on Jalalabad, against ISI advice.

Benazir Bhutto: taking Afghan policy into her own hands

The reporter had interviewed General Gul and few doubted where the story originated. However, less well known is that the interview was arranged by Mr Robin Oakley, the US Ambassador in Islamabad. According to senior intelligence sources, General Gul, who is close to Mr Oakley, was "fully briefed by him first."

Geueral Gul found himself under fire from all sides for deliberate misinformation. His US backers had set him up and abandoned him. "Gul would not jump without their nod let alone attack Jalalabad or plant such a story. Now they have orphaned him," said one of his colleagues.

US officials admit General Gul's removal will affect the Afghan policy. Under General Gul, the fundamentalist groups received about 80 per cent of the arms while the moderates were having to sell trucks to buy weapons.

The US realised, very late in the day, that it may have been backing the wrong horse, particularly by its unquestioning support of Gulbaddin Hekmatyar, one of the most extreme Pakistan-based mujahideen leaders but one with a weak base within Afghanistan. Now arms distribution sbould become more equitabla between the various groups.

Mr Kallue's brief is to investigate exactly what ISI was up to over the past 11 years. General Gul was not granted the three days handing-over period he requested, apparently for fear he would destroy the records and several advisers are afraid they may be implicated.

According to a close aide of Ms Bhutto not only did General Gul mastermind the strategy of her opposition in the elections but intended to sabotage her trip next week to the US by buying time on commercial TV to run speeches of late President Zia while organising protests to destabilise the Government at home.

# IMF condemns delays in debt negotiations

By George Graham in Paris

MR Michel Camdessns, managing director of the International Monetary Fund, yesterday called on commercial bankers to stop dragging their feet over debt negotiations with developing countries.

Condemning the growing delays in negotiations between each debtor country and its advisory committee of banks, Mr Camdessus urged every bank to go as far as it could to wipe out old debts and bring fresh money to enable these nations to reuew their economic growth.

"Two ways are open before us; both have their dangers. One leads nowhere, the other can lead to more balanced growth in the world, to a better future for the countries which are your clients," he told a meeting of the French Bankers' Association.

He warned bankers not to think that by reducing or delaying their own contribution to solving the debt crisis they could shift the burden to the public sector, which had already doubled its share of credits to developing countries since 1982.

Mr Camdessus said he understood the reluctance of commercial banks to lend new funds to sovereign borrowers, but warned that their refusal merely triggered a vicious circle which led to mounting payment arrears.

The IMF chief outlined the measures already taken by his organisation to address the debt crisis, but said it could only act as a catalyst: commercial banks must do their share.

He asked, in particular, for bankers to finance developing countries at the very start of their adjustment programmes, "to give them a fair chance and to prevent the cancer of arrears from developing."

This meant granting relay credits which could be negotiated more quickly, he said, urging the bank advisory committees negotiating with each debtor country to accelerate their work, especially the negotiation of waivers on existing debt agreements.

Mr Camdessus also urged the committees to "exorcise the game of the lowest common denominator."

"Every bank should feel encouraged to do the maximum that its own health or its prudential, accounting or tax regime permits – including, why not, in specific cases simply wiping out its credits."

The IMF director said that he would be "haranguing" the advisory committee for Mexico next Wednesday, urging it to speed its negotiations with the country which yesterday reached agreement with its official creditors. "I would very much like to see the 'critical mass' of money formed within six weeks, but I fear that few would agree to bet on it."

# US expels Nicaraguan officials

THE US State Department said yesterday two Nicaraguan diplomats were ordered to leave the US in retaliation for Managua's expulsion this month of US officials accused of meddling in internal affairs, Reuter reports from Washington.

State Department spokesman Richard Boucher said the presence of the officials was "no longer acceptable to the government of the United States."

"The step was taken on the basis of reciprocity," he told a news briefing.

The orders to leave the country were given after the Nicaraguan Government refused to reverse its decision to eject the Americans, be said.

He said the Nicaraguan charge d'affaires, Leonor de Huper, had been informed that the two diplomats, Roberto Vargas and William Vigil, had 72 hours to leave the country.

"The United States regrets having to take this step," Boucher said in a statement. "It was taken only after the government of Nicaragua chose not to reconsider this decision," he added, referring to Managua's order on May 25 to expel the US officials.

Diplomats Ms Kathleen Barmon and Mr Joe Cassman were ordered to leave Nicaragua on grounds they had interfered in the country's domestic affairs by urging schoolteachers to hold a strike for higher wages.

Boucher called the expulsion a ploy to divert attention from the strike in Nicaragua.

"It was intended to draw attention away from the dissatisfaction of the Nicaraguan workers with Sandinista economic policies and to deflect responsibility for this unrest from the Nicaraguan Government," he said.

A diplomat at the Nicaraguan embassy said the two diplomats ordered to leave had arrived in the US 10 days ago. He said Nicaragua's embassy would now be hard pressed to function because a number of diplomats had been ordered to depart last summer in an earlier round of expulsions.

## Uno to succeed Takeshita

Continued from Page 1

opposed by some senior party figures because he belongs to the faction formerly headed by Mr Yasuhiro Nakasone, the ex-Prime Minister, during whose administration most of the corruption involved in Recruit occurred.

Mr Uno is expected to stay in office at least until the end of October.

Political analysts said the course of LDP politics would depend on how strongly the new Prime Minister was committed to political reform and how much freedom he was given to act by the more conservative party leaders. An important clue will come with the appointment of the new Cabinet, perhaps next week.

# Soviet hero attacks Gorbachev and power of the KGB

By Quentin Peel in Moscow

THE WRATH of the Soviet Union's first popularly elected representatives, the members of the new Congress of People's Deputies, yesterday finally turned on the two great unmentionable subjects of Soviet life: the danger of a dictatorship under Mr Mikhail Gorbachev and the awesome power of the KGB, the Soviet secret service.

The Soviet leader, who now combines the roles of Communist Party general secretary and executive president, came under serious attack for the first time, above all for his failure to name who was responsible for the massacre of 20 Georgian nationalist demonstrators in Tbilisi in April.

Then Mr Boris Yeltsin, former Moscow party chief and now the chief scourge of the party bureaucracy, demanded an annual referendum on Mr Gorbachev's performance and popular elections for his post of president. He set out a string of radical demands to switch power from the party to the elected representatives of the people.

But the most sensational speech of the day – broadcast live with the entire proceedings on Soviet television – was an astonishing attack on the power of the KGB from one of the country's greatest sporting heroes, the multiple world weight-lifting champion Mr Yuri Vlasov.

He also turned his scorn on Mr Gorbachev, for his failure to speak up on the Tbilisi tragedy. "Who actually ordered the dispersing of the demonstrators?" he demanded. "Mr Gorbachev says he does not know. What kind of head of state is he if he says he does not know who started the action?"

In a plea for the executive of the Soviet state to be responsible to its new elected assemblies, he demanded that the all-powerful KGB be brought under supervision of a parliamentary committee.

"It is the most conspiratorial, most closed institution in our society," he said. "It is subordinate only to the government apparatus. Its actions are practically uncontrollable. It is above the state. We have to ask ourselves if the KGB is actually running the country."

"It is also very dangerous to seek the truth," be warned, because of the KGB practice of using psychiatry as an instrument of its control.

His speech brought a standing ovation from the most radical groups in the auditorium – the Baltic deputies, the Georgians, and those from Moscow and Leningrad. Dr Andrei Sakharov, the veteran dissident and victim of KGB harassment for decades, clapped with his hands above his head. The ruling Politburo members, huddled to one side, greeted the performance in silence, abandoning their normal whispered conversations.

However, it is the issue of who ordered the troops into Rustaveli Square, Tbilisi, on the night of April 8 to 9, leading to the death of 20 demonstrators from poison gas and stab wounds, which threatens to become the most embarrassing new Watergate.

On Tuesday, three Communist Party leaders were named for their part in consultation before the action, without clarifying if they approved the military intervention. Mr Dzhumber Patiashvili, the leader of the Georgian Communist Party who resigned after the massacre, said he consulted Mr Viktor Chebrikov, the arch-conservative former head of the KGB, and full Politburo member, and Mr Georgy Razumovsky, alternate Politburo member responsible for national relations. The third was General Dmitri Yazov, the Minister of Defence, who called him the day before the disaster.

Mr Gorbachev has promised there will be an exhaustive inquiry into the events, and insisted that heads will roll at the top, if the order came from Moscow.

THE LEX COLUMN

# Hoping for help from Frankfurt

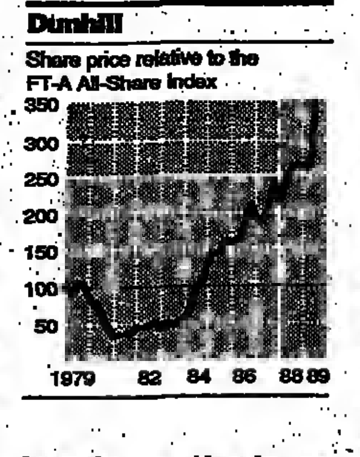
The UK equity market hit its 1989 peak less than a fortnight ago, but it is not surprising that the heady talk about the FT-SE breaking through its pre-crash high has since evaporated as the severity of the current sterling crisis has become apparent. Government economic policy is in disarray, the gilt-edged market is collapsing and foreign investors are heading for the exit. Having failed to break the pound's fall with a half-hearted rise in interest rates last week, the UK authorities are now dependent on the goodwill of West Germany to avert another interest rate rise, and even this may not be enough.

Since a one percentage point rise in base rates did not repair international confidence in sterling last time, there is no obvious reason why another point should do the trick now given the current fickleness of the foreign exchange markets. However, if the Government's anti-inflation policy is to be believed, the slide in the exchange rate has to be reversed. It is a measure of the impotence of current UK economic policy that West German actions (or inactions) will probably provide the clue to the next move in UK base rates.

There were signs yesterday that the surge in the dollar was losing its momentum, and arguably its drop below the DM 2 level removes some of the pressure on the West Germans to raise their rates to defend their currency. Bnt rather perversely, it could work the other way. If West Germany did not want to be seen to be bullied into raising its interest rates because of the dollar, a rate increase ou purely domestic grounds would be easier to justify. It is a finely balanced judgement; and given the tensions within West Germany, it is unlikely that the fate of the UK exchange rate will be high on the Bundesbank's priority list.

**Dunhill**

Share price relative to the FT-A All-Share index




## Bank capital

The case of the Royal Bank of Scotland's on/off/on issue of $400m of perpetual loan capital provides an interesting insight into the behind-the-scenes politics of international bank regulation. Bank supervisors are understandably concerned that their overseas counterparts will be too lax on their flock; but when it comes to fighting its own corner even the Bank of England – the chief supporter of the level playing field – is not averse to lobbying intensively for a special case to be made to avoid embarrassment to a British bank.

This is the only way to explain the rather bizarre decision permitting the Royal Bank of Scotland to proceed with its issue but prohibiting imitation. Maybe there are good grounds for permitting RBS to have a special type of upper case Tier II capital unavailable to other banks, but tha next time a French bank comes up with a new hybrid capital instrument, the Bank will be hard put to object too loudly.

## Maxwell

Mr Maxwell's latest deal looks like a remarkable piece of generosity to his minority shareholders. In switching his newspaper printing assets from his public company to his private one, he is paying some 22 times earnings for a business which is operating at only around 50 per cent of capacity, and has limited prospects of extra business. Granted, pre-tax margins last year were a remarkable 19 per cent; but this may have owed something to transfer pricing, flattering the results of the public Maxwell Communications at the expense of the private Mirror Group.

The generosity will be partly due to MCC's pressing need for cash. Though this deal will bring total disposals so far to US$2bn, with another $1.2bn due after the year end, Mr Maxwell clearly implies that the rise in interest rates already means that MCC's earnings this year will be down. The printing business is being sold at book value, presumably to ensure that there is no reduction in MCC's shareholders' funds. But the high price makes it all the harder to make the sums work for a Mirror flotation. Mirror Group proper is now claimed to be making over £1m pre-tax a week: add the £18m being made by the printing business, apply a market multiple, and you have a flotation value of £550m. Knock off the £270m being paid for the printing business, and the Mirror Group proper would be going for a song.

But the real future, it now appears, lies elsewhere. Yesterday's deal not only takes MCC wholly out of printing, but leaves it with 90 per cent of its sales in dollars. And eighteen months ahead is the dazzling prospect of floating the new Macmillan/McGraw-Hill joint venture, which – Mr Maxwell asserts – will have a larger market capitalisation than MCC has now. It is a beguiling vision, but that is Mr Maxwell's trademark.

## Dunhill

The business of making ties and watches for next to nothing and selling them for a bomb is nice work if you can get it, and Dunhill seems to be getting more and more of it all the time. The urge to spend a few hundred dollars on a Montblanc fountain pen may be difficult for the biro classes to understand. But Dunhill does not need to understand it, only to service it, and the new £12m Montblanc factory in Hamburg should allow the company to meet demand which has gone unsatisfied in the past.

The main Dunhill business – which probably contributed two-thirds of last year's £45.5m profits – should easily do its bit for a further 25 per cent increase in profits this year. The Japanese are not likely to stop buying Dunhill watches and socks because of a mere ¾ point on interest rates; and the behaviour of the UK consumer is of academic interest only, given that 90 per cent of Dunhill's sales go overseas. And with nearly £95m in cash in the balance sheet, Dunhill views interest rates in a wholly different light from most retailers.

All of this may not quite justify Dunhill's prospective rating of 16 times earnings – 15 times without the cash. But the looming presence of Rothmans, with 55 per cent of the shares, does the rest. Scarcely short of ready cash itself, Rothmans – or its own major shareholder Richemont – could well decide that Dunhill's performance is too impressive to leave things as they stand. But until one or the other actually buys a few more shares, it is hard to see Dunhill bettering its current 40 premium to the market.



## WORLD WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 22 | 72 | Dubrovnik | C | 22 | 72 | Malta | S | 26 | 79 | Rhodes | S | 25 | 77 |
| Algiers | S | 26 | 79 | Edinburgh | C | 18 | [illegible] | Manchester | S | [illegible] | [illegible] | Rio de J'o | C | 27 | 81 |
| Amsterdam | F | 14 | 57 | Faro | F | 22 | 72 | Manila | F | 36 | 95 | Rome | [illegible] | [illegible] | [illegible] |
| Athens | S | 24 | 75 | Florence | R | 17 | 63 | Melbourne | H | [illegible] | [illegible] | Salzburg | C | [illegible] | [illegible] |
| Bahrain | S | 34 | 93 | Frankfurt | S | 15 | 59 | Mexico City | F | 29 | 84 | San Francisco | S | 09 | 48 |
| Bangkok | C | 33 | 91 | Funchal | - | — | - | Miami | R | 25 | 77 | Seoul | - | — | — |
| Barcelona | F | 20 | 68 | Geneva | F | 22 | 72 | Milan | F | 23 | 73 | Singapore | F | 30 | 86 |
| Beirut | F | 28 | 82 | Gibraltar | F | 23 | 73 | Montreal | F | 15 | 59 | Stockholm | R | 08 | 46 |
| Belfast | R | 10 | 50 | Glasgow | R | 09 | 48 | Moscow | F | 25 | 77 | Strasbourg | C | 15 | 59 |
| Belgrade | S | 28 | 82 | Guernsey | S | 13 | 55 | Munich | R | 13 | 55 | Sydney | S | 16 | 61 |
| Berlin | F | 15 | 59 | Helsinki | R | 13 | 55 | Nairobi | F | 23 | 73 | Taipei | - | — | — |
| Biarritz | F | 18 | 64 | H. Kong | C | 26 | 79 | Naples | C | 23 | 73 | Tangier | C | 22 | 72 |
| Bombay | S | 33 | 91 | Innsbruck | F | 18 | 64 | Nassau | C | 30 | 86 | Tel Aviv | S | 26 | 79 |
| Bordeaux | C | 20 | 68 | Inverness | C | 08 | 46 | New Delhi | S | 37 | 99 | Tenerife | F | 23 | 73 |
| Brussels | C | 13 | 55 | Islamabad | F | 42 | 108 | New York | C | 23 | 73 | Tokyo | S | 23 | 73 |
| Budapest | F | 23 | 73 | Istanbul | S | 22 | 72 | Nice | S | 20 | 68 | Toronto | R | 15 | 59 |
| B. Aires | C | 19 | 66 | Jakarta | R | 30 | 86 | Nicosia | S | 23 | 73 | Tunis | C | 27 | 81 |
| Cairo | S | 30 | 86 | Jersey | S | 16 | 61 | Oporto | F | 19 | 66 | Valencia | F | 26 | 79 |
| Cape Town | C | 16 | 61 | Jo'burg | S | 19 | 66 | Oslo | R | 07 | 45 | Venice | R | 19 | 66 |
| Caracas | R | 26 | 79 | Lima | C | 19 | 66 | Paris | S | 15 | 59 | Vienna | C | 21 | 70 |
| Casablanca | - | — | — | Lisbon | C | 22 | 72 | Peking | S | 18 | 64 | Warsaw | - | — | — |
| Chicago | S | 24 | 75 | London | C | 14 | 57 | Prague | F | 11 | 52 | Washington | S | 23 | 73 |
| Cologne | F | 12 | 54 | Los Angeles | S | 14 | 57 | Reykjavik | S | 10 | 50 | Zurich | C | 14 | 57 |
| Copenhagen | F | 13 | 55 | Luxembourg | S | 13 | 55 | | | | | | | | |
| Corfu | F | 23 | 73 | Madrid | F | 21 | 70 | | | | | | | | |
| Dallas | - | — | — | Majorca | S | 25 | 77 | | | | | | | | |
| Dublin | F | 10 | 50 | Malaga | C | 24 | 75 | | | | | | | | |

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# OECD criticism of trade move by US

Continued from Page 1

He said he had come to Paris this year "full of dismay and with a foreboding of a crisis." The multilateral trading system, with the General Agreement on Tariffs and Trade as its core, stood at a critical juncture, threatened by rampant protectionist pressures and unilateralism, he said.

Earlier, Sir Geoffrey Howe, the British Foreign Secretary, said anxieties remained about the 1988 US trade act, despite attempts to soften the blow of its Super 301 decisions.

He warned the US that unilateral trade restrictions would not cure its current account deficit and even the threat of such restrictions endangered the multilateral trading system.

Mr Frans Andriessen, the European Community's trade commissioner, said he believed the US was sincere in believing that its Super 301 moves complemented the Gatt and were designed to opeu up world trade.

But the US stance was not compatible with the Gatt, he added. "Members of the multilateral trading system should not be judge and jury

Yesterday's meeting also exposed fundamental differences between the US and many of its trading partners on how to judge existing inflationary pressures and problems such as the continuing imbalance between the huge US current account balance of payments deficit and the large Japanese and West German surpluses.

SECTION III

# FINANCIAL TIMES SURVEY

**Specialists in export finance are moving into a period of soul searching. Doubt also surrounds the future role of the Government's Export Credits Guarantee Department in the new European single market. Report by World Trade Editor Peter Montagnon.**

## Taking off for 1992

AN impending shake-up of the credit insurance sector as the single European market of 1992 approaches, and tentative signs of renewed growth in international project finance after the downturn caused by the developing country debt crisis are the two main themes preoccupying export finance specialists.

The first is producing a great deal of uncertainty as national agencies and private sector companies jockey for position in the new European market. The second, too, is causing a great deal of soul-searching as bankers ponder whether the revival marks the start of a new trend or is simply a blip in an otherwise unmitigated run of lean years.

The potentially profound implications of the single European market for short-term export credit insurance business took a long time to sink in with export credit agencies around Europe, but now a rethink is under way. Even now, its precise legal implications are a matter of some doubt, but that has not stopped a number of credit agencies from starting to reorganise to take advantage of what they believe could be a boom in business as the volume of trade within the EC increases.

The starting point for their new business approach is the question of the degree to which national export credit agencies should be able to continue supporting only their own country'a exporters in a single market where trade between Community member states may no longer be defined as export business in the strict sense of the term. Particularly if any degree of subsidy is involved, the risk is that such an approach will run counter to EC competition policy.

There has thus developed a tendency for national governments to distance themselves more clearly from the business of providing commercial risk insurance on exports within the European Community.

In some countries, such as West Germany, where the national agency, Hermes, is already a private sector company, this is a relatively easy process. Last year Hermes secured the right to insure European business in its own right rather than under mandate from the federal government in Bonn.

But, this quickly leads to a second problem area. As a more entrepreneurial spirit has developed in the credit insurance market, the smaller countries of the Community have begun to worry about their ability to sustain their activities in export credit insurance in the event of agencies in the larger markets seeking to expand throughout Europe.

Their response has been to become more aggressive themselves. NCM, the Dutch export credit agency which is also a private sector company, is one concern which is expected to reach out across the Community for new business. Office National du Ducroire of Belgium, which is state-owned, has also sought authority to carry out pan-European credit insurance business in its own right.

By far the greatest upheaval, however, has come in the UK where the Export Credits Guarantee Department has faced a particular problem. As a government department it is confined by its charter to supporting only UK exports. Without a fundamental change in its structure it cannot seek to enter the European market, but with the changes taking place elsewhere the fear is that it will find other European agencies seeking to poach UK business away from it in the wake of the 1992 changes.

This has prompted a major review of its status which is expected eventually to lead to a government decision to hive off the short-term insurance business handled by its Cardiff office into a separate public corporation. The newly created corporation would be allowed to compete for business in Europe and would also undertake domestic credit insurance within the UK.

At this point the vision emerges of a European credit insurance market markedly different from the one that has existed up till now. Traditionally the business of providing export credit insurance has been separate from that of providing domestic credit insurance but the supposition is that after 1992 the two will blend into one.

Commercially this has a particular attraction, insurance specialists say. It will allow insurance concerns to offer one-stop shopping to multinational companies with branches in several different Community countries. For example, ECGD, assuming its structure changes as expected, will be able to offer credit insurance services to UK companies not only in their international business but on their domestic sales as well.

However, the expectation is that the new market will be intensely competitive. ECGD has already been fighting hard against the competition provided by Trade Indemnity, the private sector UK insurance concern that dominates the UK domestic credit insurance market but which has been expanding into the export credit sector in recent years.

One risk is that the changes taking place in the European market will lead initially to the creation of excess capacity with downward pressure on premiums and ultimately to a further shakeout in which only a handful of companies manage to win a sizeable share of the overall European market. The changes expected in the short term credit insurance sector have also set this aspect of trade finance apart from the business of providing political risk cover and longer term credit guarantees.

Not only is this business inherently less lucrative as the losses suffered by leading export credit agencies in the wake of the developing country debt crisis show, it is also one where national governments are particularly sensitive about their sovereign rights to develop their own export policies.

Theoretically, according to some export credit specialists, the advent of the single market should mean that it is no longer possible for a national export credit agency to offer cover in a third country market only to its own nationals. This would set other EC companies at a disadvantage if they were unable to compete for business in that market because their own export credit agency was "off cover".

The European Commission in Brussels has been examining this problem and is likely to produce a set of draft proposals later this year, but the signs are that it is likely to shy away from the idea of producing a scheme for standardising European export credit terms.

National governments are not ready for this and the most that is likely to be proposed is some kind of European export credit facility that would overlay existing national schemes and have special application to situations where companies from several Community states were banding together into consortia to bid for project business in developing countries.

In the much longer run some experts believe it is still possible that a European export credit agency might be created which would relieve national governments of the need to provide medium term guarantees. This is, however, still very much a far off ideal even though Mr Jacques Delors, European Commission President, has talked of the need for a harmonised approach to export credits.

Meanwhile, support for the notion that project finance business is increasing has come from recent Organisation for Economic Cooperation and Development figures showing a 45 per cent increase to SDR9.2bn in long-term official export credits last year. Some bankers also report difficulty in recruiting specialist staff with salaries under upward pressure as business expands, but the OECD warns that it is too early to talk of the higher level of export credits as representing a trend.

One problem is that long-term export credit totals can be unduly influenced by a few large projects, but what has given grounds for belief in a more general increase in activity is later information also showing a steady growth in medium term export credits with a maturity of between two and five years. These rose by a solid 20 per cent last year.

"Business is showing some signs of revival," adds Mr Peter Godwin of Standard Chartered Merchant Bank, "but we're not

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# EXPORT FINANCE

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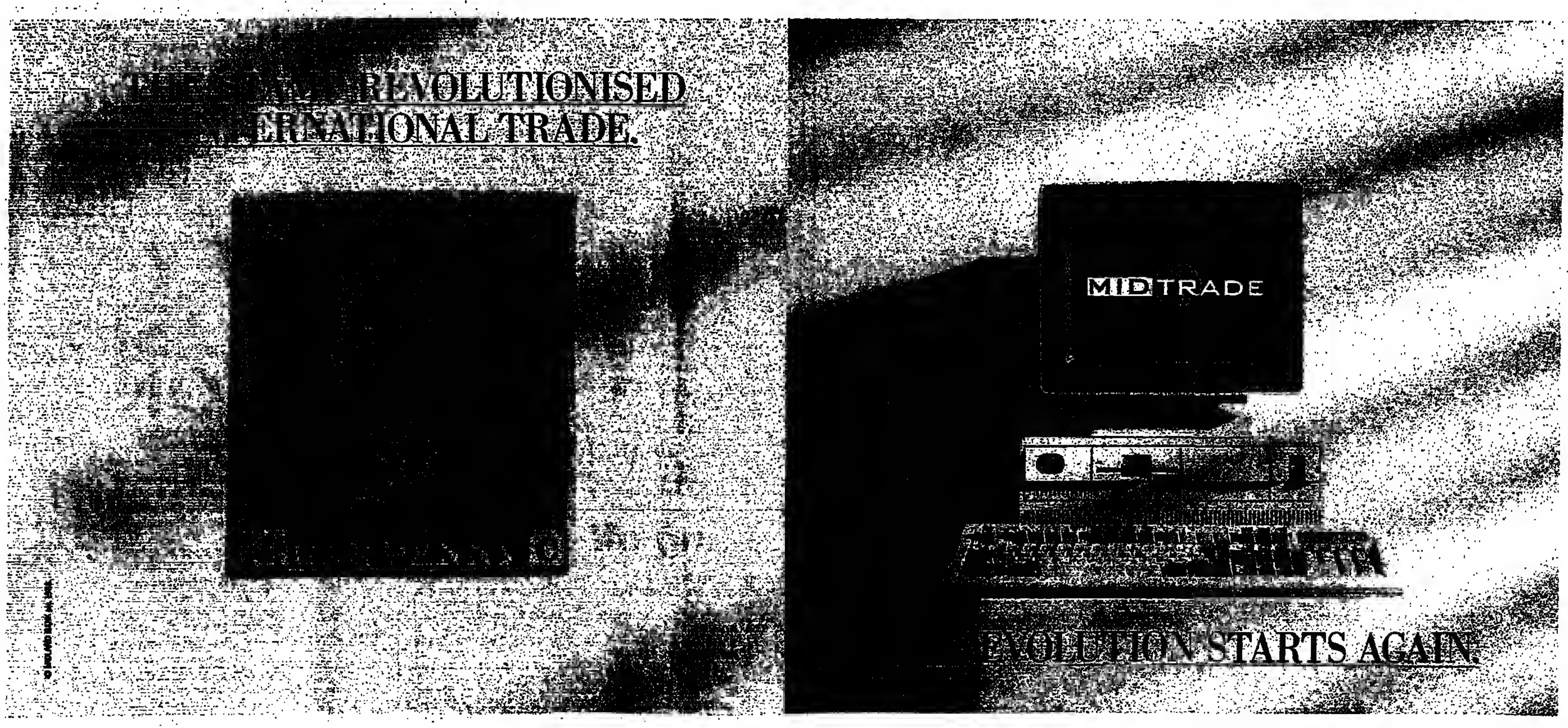
Bankers pin their hopes on aircraft financing as other forms of lending show signs of sluggishness: Page 4

Photo: Glyn Genin



Charles Batchelor examines problems faced by beginners

# Pitfalls for first-timers

THE opening up of the European market place over the next few years will mean that many companies will be exporting for the first time. New exporters dealing with unfamiliar customers are likely to run into a host of problems.

Managing currency fluctuations is difficult enough for the large, experienced exporter. The annual statements of substantial publicly-quoted companies regularly reveal sizeable foreign currency losses. Smaller companies exporting for the first time have even fewer resources to manage exchange and payment risks.

A recent Confederation of British Industry (CBI) report showed that currency fluctuations ranked among the major problems facing smaller exporters.

The traditional response of the British exporter to the complexities of dealing in foreign currencies has been to price his products in sterling. This simplifies the procedure but leaves the customer to bear the currency risk.

Although most customers prefer to have goods priced in their own currencies, fewer than half of British exporters to European Community countries do so, according to a recent poll by The Export Finance Company (ExFinCo), which provides a corporate treasury service to exporters.

When businessmen do quote in their customer's currency they often take a fatalistic view of the exchange risk.

"Many UK businesses view the foreign exchange markets as a roulette wheel over which they can have no control," says Michael Pearce of Pearce Management Consultants, which specialises in the field of currency and interest rate management.

In theory, there is plenty of advice available. The banks have long had international trade divisions; specialist finance houses and consultancies have sprung up in recent years, while official agencies, such as the British Overseas Trade Board and the government-backed Export Credits Guarantee Department, are also on hand.

Yet, many companies still stumble into exporting and do not receive good advice. The banks are often not fully equipped at branch level to deliver specialist advice while the services of the more specialist organisations may appear expensive to the firm that is exporting only in a small way.

However, getting it wrong can be even more expensive. One small computer supplier with annual sales of nearly £1.5m saw £40,000 wiped of its pre-tax profits because it misjudged currency movements. It had based its business plan on a pound at $1.60 and was unprepared for sterling's rise to more than $1.80.

The company had discussed the need to hedge its currency risk with its bank manager but says it was unable to find a solution because of the unpredictable nature of its business. Ironically, the big currency loss occurred in the same year the company won an Export Award for Smaller Businesses.

The two most common methods used to minimise the risk of currency movements are:

● Forward exchange contracts. These allow an exporter to fix the rate at which future payments in foreign currency will be converted into sterling, regardless of what happens to the exchange rate.

**Many view the foreign exchange markets as a roulette wheel**

Forward contracts have the advantage of simplicity and do not normally involve the customer paying a charge in advance. The main drawback is that the exporter is committed to supplying the currency agreed. If the deal is cancelled for any reason he will have to buy the foreign currency at the going rate in the currency market.

● Currency options. These give the exporter the right - but not the obligation - to buy or sell the currency he needs at a pre-determined rate. Depending on the type of option, the exporter may exercise his right to buy or sell on the expiry date or at any time up to and including the expiry date.

Since there is no obligation to exercise the option the exporter may let it lapse if the deal does not go through or if currencies have moved in such a way that it is more advantageous to buy or sell them in the spot market.

Winning the order and making delivery is only the start of the process. The most important part, obtaining payment, is treated by a surprising number of businessmen as a formality.

The reality is that businesses should devote even more attention to obtaining prompt payment from overseas customers than they do with domestic customers.

Overseas buyers tend to expect more time to pay than domestic customers so the pressure on working capital will be greater.

Businesses should therefore do all they can to prevent errors or poorly worded agreements extending payment periods any further.

The most common ways of obtaining payment are:

● Cash in advance for the whole amount or for part of the order. This is unsatisfactory for the customer, however, since he has no guarantee that delivery will be made. This method is nevertheless recommended for completely unknown customers.

● Documentary letters of credit are another means of arranging payment from new customers or those in less stable parts of the world. Provided the exporter insists that the letter is irrevocable and confirmed it should amount to a firm guarantee that he will be paid.

However, exporters must take great care to ensure that the information on the letter of credit matches that contained in invoices and other shipping documents. One survey showed no fewer than 60 per cent of letters of credit were returned by banks because of apparent inconsistencies when first presented.

● Bills of exchange are effectively a form of IOU used in international trade. They are similar in principle to a post-dated cheque and result in the exporter granting credit to his customer. They are a less secure means of obtaining payment than a letter of credit.

● Open account terms may be used when an exporter knows his overseas customer well. All documents go directly to the customer, who is considered to be sufficiently reliable to pay by the agreed date.

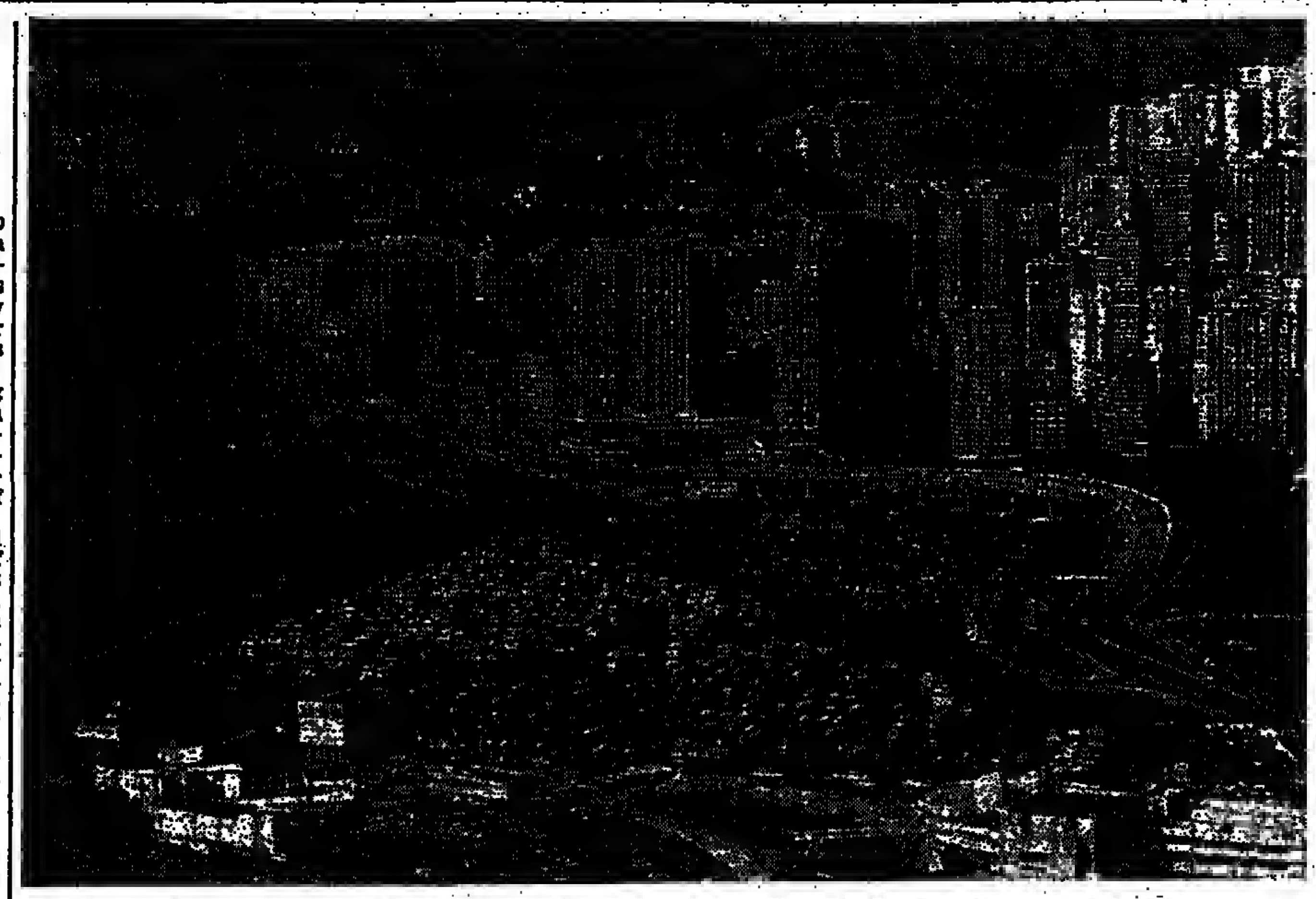
For the new exporter the mass of documents involved can be confusing and time-consuming.

One way round this is to hand the paperwork to a freight forwarder who is a specialist in arranging shipments abroad. He will typically charge between 2.5 and 5 per cent of the total freight costs for his services.

There are also a growing number of one-stop services on offer from specialist organisations, some of which are themselves building European networks to meet the demands of the single market.

One company, ExFinCo, will pay an exporter 100 per cent of credit insured value of his sales at the time of shipment. Another, Intrum, a Swedish group which recently acquired a British commercial debt collection group, advises on export credit management and will arrange for payments collection abroad.

Exporting does require careful planning but the approach of 1992 leaves most firms with little choice if they want to grow and if they want to counter the inevitable arrival of foreign competitors in their home markets.



Eastern Corridor Causeway in Hong Kong harbour: Should the private sector become more involved in such projects?

Peter Montagnon looks at the build-own-operate concept in the developing world

# Revival in the project market

A SERIOUS casualty of the debt crisis that has plagued the developing world for much of this decade has been the market in large-scale infrastructure projects that flourished when money was easy during the 1970s.

Over the past year, however, there have been signs of a modest resurgence. According to the Organisation for Economic Cooperation and Development (OECD) the volume of long-term official export credits jumped by 45 per cent to SDR8.2bn (£7bn) last year with much of the increase accounted for by credits to poorer countries. Even in debt-ridden Latin America it has proved possible to raise finance for the $1.1bn (£679m) La Escondida project in Chile.

Bankers offer a number of explanations why there has been an apparent revival in the project market. One is quite simply that export credit agencies are coming back sooner on cover for developing countries after a debt rescheduling. Another is that funds simply have to be found for restoring the infrastructure after years of neglect. Another, which is expected to play an even greater role in future, is the need to modernise the infrastructure so that the environment is better protected.

It is still too early, they add, to be sure how enduring the trend towards a greater volume of business will be. No one expects a return to the heady 1970s when project business abounded. As for the future market, much depends on the degree to which the private sector is willing to become involved in infrastructure projects such as power stations and major roads.

On this depends the future of the so-called build-own-operate idea, in which private sector sponsors are supposed to take on the risk and the responsibility for financing projects which was previously the task of the host government itself. Although much talked about, this concept has been slow to get off the ground. Now, however, there are signs that it, too, may be beginning to generate some important business.

One of the problems in any discussion of build-own-operate schemes is that the concept itself is fairly loosely defined. In some industrial countries, such as the US, it has been common for years. Elsewhere, the East Harbour crossing in Hong Kong, the Sydney Harbour Tunnel in Australia, the Dartford Bridge in the UK and the Channel tunnel all provide examples of what might come under this heading.

According to Mr Richard Ingham, of Chase Investment Bank, the Channel tunnel is not strictly a build-own-operate project in the sense that the term is applied to developing countries. None of the risk is being assumed by the British and French governments. In a developing country the host government will have to assume some risk, either by providing foreign exchange for debt service or, for example, through guarantees of revenue. The art of applying the concept to developing countries is the ability to allocate the share of risk between the project sponsors, lenders and the host government.

Most bankers, meanwhile, agree that one of the countries which has been able to adapt most successfully to the build-own-operate concept is Malaysia, where finance is being assembled for a major north-south highway project that will cost more than M$4bn (£906m). Malaysia is a natural candidate for such schemes because of its good international credit standing and deep local capital market which offers long maturities and low interest rates. This allows much of the necessary finance to be raised in local currency, thereby avoiding foreign exchange risk.

The concept was launched in Malaysia in 1984 with the small M$20m North Keelang Straits Bypass road project. This was followed by larger deals such as the M$118m Labuan Water Supply project in 1987. By these standards the north-south highway project is gigantic. Finance is proving relatively easy to raise with commitments from local lenders amounting to some M$2.2bn by mid-May, way above the original target of M$1.6bn.

**Even in Latin America it has proved possible to raise finance**

This means a smaller amount than originally planned will probably be raised offshore. None the less, according to Mr John Burnham of J Henry Schroder Wagg, the road project has "stretched the local market absolutely to its limits". The size of the deal also means the government has had to support it through promises of subordinated loans and revenue guarantees.

Though Thailand has also managed to establish a major build-own-operate highway project, the number of creditworthy developing countries with capital markets that can cope with the finance for major projects is limited. The problems of raising finance become all the more complicated for countries where there is no significant local capital market and where access to foreign currency borrowing is relatively restricted.

Thus Turkey, which is regarded as one of the concept's pioneers, has faced a long struggle in getting its own build-own-operate schemes off the ground. It is, however, in the final stages of assembling more than $1.5bn for a 1,400MW coal-fired power station complex to be built at Yumurtalik on its south-eastern coast by Westinghouse of the US and Chiyoda Corporation of Japan.

The structure of this deal, on which Chase Investment Bank has acted as adviser, has been largely determined by the reluctance of export credit agencies to take on the commercial risk involved. As a result Turkey has had to provide assurances that the project will be completed on time and that funds will be available to service debt. In the process the financing has become, in the view of some bankers, little more than sovereign lending in disguise.

Turkey has, however, been able to use the project to generate some direct investment inflows. The equity portion provides something of a cushion against the inability of the project to generate sufficient revenue to pay debt service. Turkey has been counter-indemnified by the project sponsors against financial problems arising out of late completion and the payments schedule assumes that the private sector operators will run the plant at a relatively high 78 per cent capacity. According to Chase's Mr Ingham "that is a very significant gain from the country's standpoint."

Some bankers now argue that the availability of debt-equity swaps mean it has become easier to organise build-operate-transfer projects in countries that have already rescheduled their debts rather than in those which have to hneband their foreign exchange resources rather carefully. The Philippines is one such country that is looking at the concept for its power sector.

Pakistan is one country which has not rescheduled but whose access to private capital markets is very limited. With the help of the World Bank, it is trying to organise a $2bn scheme to develop a series of power projects for a total capacity of 2,000MW. To overcome the resistance of lenders this scheme calls for a relatively high debt-equity ratio of 25 per cent. A further 30 per cent of the funds needed would come from a special fund created by the Bank and to which aid agencies from a number of countries, including West Germany, France, Italy, Japan, the US and UK, have agreed to subscribe. This means that loans will have to cover only 45 per cent of the total cost.

The scheme has been slow to come to fruition, according to some Pakistani sources, because it has met with resistance fromthe local state-owned power utility which is worried about private sector involvement in its industry. Its structure underlines, however, the extent to which the World Bank is now keen to add a private sector flavour to infrastructure development in its client countries.

According to Mr Patrick Crawford of Morgan Grenfell, which has been acting as adviser both on the Malaysian Highway project and on the Pakistan power scheme, the structure of project lending to developing countries will depend heavily in future on the extent to which the World Bank maintains this emphasis. As long as it remains keen on privatisation, more projects are likely to be handled on a build-own-operate basis even if the result still leaves a good deal of the risk in the hands of the host government itself.

# Taking off

Continued from Page 1

back into anything resembling a boom."

Among the reasons advanced for the upturn is increased activity in Eastern Europe, the fact that export credit agencies are now restoring cover for debtors more quickly after reschedulings, the availability of debt/equity swaps to help finance project business and the pressing need for developing countries to repair their infrastructure and do more to protect the environment.

Even if this does add up to a recovery after the prolonged downturn that has beset project finance in recent years, it is still likely to be of fairly modest proportions. There is no sign that major borrowers such as Nigeria and Brazil are returning to the market in any significant way. The end of the Gulf War has not as yet produced the hoped-for bonanza by way of reconstruction business and some existing borrowers, such as China, still seem likely to cut back on their business because of domestic economic problems.

Peter Montagnon discusses the financing of East-West trade

# Capitalising on perestroika

A HIGHER volume of East-West trade arising out of economic restructuring in the Soviet bloc is expected to create tantalising new export finance opportunities over the next few years. But optimism in the banking community is tempered by concern over the credit-worthiness of some countries and by the need for new loan structures to meet the changes brought about by decentralisation.

This, in essence, is the consensus view of export finance experts as they contemplate the recent sea-change in Soviet bloc attitudes that has seen a new emphasis on market-orientated economic policy and a marked desire to attract western direct investment.

There could scarcely be a better symbol of this change than the rapid growth of interest in joint ventures with western companies.

Designed to encourage the transfer of technology and management expertise as well as cash investment, more than 400 joint venture agreements have now been signed between the Soviet Union and western countries.

With the notable exceptions of East Germany, which is reluctant to admit foreign equity capital, and Romania, which has been pursuing a policy of economic isolation and debt reduction, the fashion has spread to most other countries in Comecon, and the expectation is that the volume of business will grow as joint ventures move beyond the purely experimental stage to encompass some fairly large projects.

However, for specialists in export and project finance this is a development that brings a new element of uncertainty. Long used to dealing with state-planned economies on a centralised basis, they have no experience of commercial risk.

The new question they now ask is what happens to their loans if a joint venture fails. As a result they are having to move away from traditional forms of lending to limited-recourse and non-recourse loans, previously unheard of in the Soviet world where repayment depends on the financial success of the project in question rather than on any underlying central government guarantee.

Such financing is not confined to joint ventures alone. An early example of such lending came late last year when Moscow Narodny, the UK-based Soviet bank, announced funding for a new project in Azerbaijan, which is not a joint venture, for development of a light commercial vehicle built to standards that would allow export to the West.

The package included a £100m loan tranche, bearing interest at market rates and a flexible maturity schedule synchronised with cash-flow from the plant.

There was no underlying government guarantee and lenders have to rely on hard currency earnings from the project for interest and dividend payments.

Pricing of such risk, which is invariably higher than on traditional loans, is difficult to assess. Bankers have to contend not only with the difficulty of working out how a given project will fare in a rapidly changing regulatory climate, but also with continuing uncertainty over which officials are now responsible for which project.

One of the consequences of perestroika has been a large increase in the numbers of organisations allowed to trade directly with the West.

Bankers say they are being asked to consider a much broader range of guarantees, including, occasionally, those of the governments of individual republics.

Weighing up the value of such guarantees is a further problem, which, coupled with the increasing prevalence of non-recourse financing, is likely to lead to a greater differentiation in terms and conditions for Soviet loans.

Some bankers add that the new decentralised approach to trade and borrowing could lead to a free-for-all in which agencies entitled to raise money internationally scramble to do so even for less viable projects. Coupled with the ever present possibility that the Soviet Union may start to borrow heavily to finance purchases of consumer goods for its ill-supplied shops, there is a risk, they say, of the country rapidly becoming over-borrowed.

However, the powerful and financially sophisticated Bank for Foreign Economic Affairs continues to keep a tight rein on foreign borrowing and, as the figures in the table/chart show, the Soviet Union still has a modest net debt to exports ratio.

**Net debt export ratios for Eastern Europe***

| Country | Ratio |
|---|---|
| Bulgaria | 184 |
| Czechoslovakia | 60 |
| E.Germany# | 117 |
| Hungary | 274 |
| Poland | 431 |
| Romania | 39 |
| USSR | 77 |

*Preliminary 1988 figures supplied by OECD for the ratio of debt minus reserves to hard currency exports.
#Includes transactions with West Germany.

Evidence suggests that foreign borrowing has increased over the past year, although by no means as rapidly as suggested by its attempt at the end of 1988 to assemble several large-scale credit lines from its main trading partners.

Most of these efforts were quietly scaled down or abandoned in the face of adverse publicity in the West and Moscow is thought to have drawn only sparingly on the DM3bn (£943m) credit line it arranged through Deutsche Bank.

According to figures compiled by the Bank for International Settlements and the Organisation for Economic Cooperation and Development, Soviet borrowings, including guaranteed export credits from the West, totalled some $39bn (£24bn) at the end of June last year. This was an increase of $1.5bn on the total six months earlier but it is still a relatively low figure for a country of this size and is offset by Soviet deposits of around $15bn in western banks.

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# Moscow sounds out western ideas

DOES the Soviet Union need to set up an export credit agency of its own? Yes, say leading western export credit insurance experts. Moreover, top Soviet officials have been quietly sounding out leading export credit agencies, such as Britain's Export Credits Guarantee Department, to see how such an agency could be established.

The basic reason why an export credit agency would make sense for the Soviet Union is the same as that which has created new uncertainties for trade in the other direction. Decentralisation of foreign trade activity has brought many new players into the game, a process which is likely to continue.

But just as this has given rise to doubts in the West about the reliability of some of the new Soviet foreign trade organisations, so the new and inexperienced Soviet exporters can expect to have difficulty in assessing the credit risk they run in dealing with companies in the West.

Of course, there are formidable obstacles in the way of establishing a Soviet export credit agency. Given the lamentable record of losses by western credit agencies over recent years, it seems curious to suggest that the Soviet Union should set up one of its very own.

But western advice to Moscow is qualified in a number of ways. Particularly important is the suggestion that what the Soviet Union does not want is an agency that would concentrate on

**Soviet exporters can expect problems assessing credit risk**

insuring or extending credits to poor developing countries which cannot pay their debts. Moscow has already burned its fingers in this respect, for example, through the lengthy work-out situation with Peru for several years during which the South American country has been seeking to pay off its loans with goods.

Instead, the perceived need is for the Soviet Union to establish an agency that would insure commercial risk on credits to importers in industrial countries. The expectation is that, if its exports do increase sharply as a result of perestroika, much additional trade will be concentrated in the Organisation for Economic Cooperation and Development area.

The political risk inherent in this business is negligible, but the commercial risk is ever present, quite simply because private sector western buyers can go bust. However, the idea of an agency to insure against these risks begs a number of questions.

Among these is whether claims should be met in roubles or in foreign exchange. Rouble payments would be less attractive to Soviet enterprises because their access to imported foreign exchange for imported raw materials and components is increasingly dependant on their ability to generate hard currency through their own business dealing. But an agency which had to pay out claims in foreign exchange could end up being a drain on the balance of payments if it had to borrow abroad to meet a deficit in its operations.

Then there is the problem of how the Soviet Union with little experience of its own in international credit risk assessment would be able to judge the risk it was insuring so as to make sure that premiums were set at the right level. One way would be for it to buy information from agencies, such as Dun and Bradstreet, which already service a number of credit insurers in the West.

Another would be for it to seek the help of established export credit agencies such as the ECGD. That could create a new commercial opportunity for Britain's export credit insurer. It would be able to sell its expertise to Moscow for cash. The intriguing question, if this ever happened, however, is whether it would seek to insure this particular service export against non-payment by the buyer.

**Peter Montagnon**

Alan Spence on countertrade and offset deals

# Excitement of bartering is fading away

FOR MOST exporters, traders and bankers, countertrade and offset deals are not objectives in themselves, but arrangements entered into, often reluctantly, in order to make primary export contracts perform.

There are relatively few exporters who seek to harness countertrade as a sales weapon when marketing their products, despite a growing tendency for trade financing packages to accompany sales bids in Eastern Europe and the developing world.

The excitement which surrounded countertrade in the early 1980s on the back of the Third World and Comecon debt crisis and these areas' associated foreign exchange famines, has now largely evaporated. That there was any dramatic upturn in business at that time is debatable, though international traders and banks definitely took positive steps to enhance their visibility in this area, with UK clearers such as Midland and Lloyds stressing the availability of dedicated personnel to assist with deals.

That the boom which many

Gilbert Nockles: interest in countertrade has increased

predicted did not occur probably reflects a number of facts. Most fundamentally, it is unlikely that anything which a country, however indebted, can sell for cash and with no other strings attached will become available on a countertraded basis. Available product thus tends to be of a lesser quality and more difficult to market.

Additionally, deals are difficult to structure and hence come at a substantial cost in terms of administrative and management funds before anything actually happens — and quite often nothing does.

Geographically, there are no countries of significant economic importance where countertrade deals shadow other forms of transactions. China has not embraced countertrade during the last year or so as enthusiastically as many anticipated, according to Mr John Burge of Kleinwort Benson. The bank is well-positioned to take the pulse of the countertrade business, given its 25 per cent stake in Centro Internationale Handelsbank, a Viennese bank with a reputation for handling complicated countertrade transactions stemming from its traditional involvement in East-West business.

One of the problems with China appears to be an inability to adapt the country's internal administrative accounting practices to match cash payments in counterpurchase operations. According to a leading banker, this has led the Chinese to request strict barter (goods-for-goods or product-for-plant deals) which are notoriously difficult to administer given the lack of control over the quality of the goods emerging, as well as valuation difficulties.

In contrast to the bank's Chinese experience, Mr Burge says that Kleinwort's is "encountering more businesses wishing to do countertrade operations in the Soviet Union."

Mr Gilbert Nockles, Midland Montagu trade finance director, also testifies to the increased interest in countertrade among companies trying to do business with the Soviet Union. The application of new Soviet joint venture law over the last two years or so has provided a framework in which western companies can structure capital goods sales, linked to a joint venture operation and effect payment in bought-back product. He sees this as one way of doing business in the Soviet Union. "Any exporter that can generate hard currency and technology transfer is in a strong position," Mr Nockles says.

It is doubtful whether there is a significantly increasing number of UK exporters selling to Eastern Europe and the Soviet Union on a countertrade basis. Apart from the intrinsic difficulties associated with the technique, many bankers point to a degree of corporate inertia amongst UK exporters when it comes to mobilising innovative trade finance techniques. In reality, in the context of Eastern Europe, the same "doers" seem to crop up time and again — Rank Xerox for instance.

Away from Comecon countries, deals tend to emerge with no discernible geographical pattern, though at least one leading London-based bank is making a sustained attempt to push its countertrade services in the Far East.

Earlier this year, for instance, Balfour Beatty disclosed the details of the 100 per cent countertrade deal it had used to secure a £2m transmission line contract in Malaysia. The two-year contract period for executing the countertrade component element of the deal was completed in early 1989 with the company revealing that its Malaysian subsidiary *had agreed* to *find homes for* a variety of commodities, including tin, palm oil, rubber goods and rice husk ash.

However, that there is no great groundswell of interest among UK exporters to harness countertrade is shown by the slow pace at which the Export Credits Guarantee Department has moved to set up a special policy to help exporters facing countertrade obligations. ECGD is now much more responsive to exporter requirements and many believe would have reacted much faster to a higher level of exporter demand.

Given the foreign exchange demands of developing countries, and their need to develop an industrial infrastructure, it has been considered for some time that Third World states would increasingly use offset obligations linked to major import contracts to attract inward investment and technology transfer. This would be a civil version of the military

Continued on Page 4

JAPAN'S AID PROGRAMME

# A shift to harmony

WHEN describing the opportunities for foreign companies in Japan's growing overseas aid programme, officials at the Ministry of International Trade and Industry (Miti) are fond of dividing the selection of contractors into two categories, the competitive and the harmonious.

"We are trying to move from competition to harmonisation," explained the director of Miti's director of economic co-operation and co-ordination, Kazuo Matsunaga. The Miti vision of harmony is for Japanese companies to take a foreign company along for the ride on an essentially Japanese project funded by Japanese aid money.

The aid programme reflects the competing interests of the government bodies most closely involved, in this case the Minister of Foreign Affairs, Miti, the Ministry of Finance and the Economic Planning Agency, all of which are represented on the Overseas Economic Co-operation Fund, the supplier of soft funds for needy countries.

The Foreign Ministry is proud of Japan's shift from aid money tied to Japanese business to the purer untied aid. Miti, echoing the voice of Japanese industry, thinks the shift has gone too far. The Ministry of Finance is closer to the Foreign Ministry position.

A Foreign Ministry aid specialist said there had been conflict with Miti over the role of foreign companies, but there was now a growing consensus. He said Japan was continuing to liberalise aid conditions by allowing competitive bidding for more projects.

Miti's Mr Matsunaga said Japanese companies "understand the circumstances in the world," and so are willing to share work generated by the aid budget, which is up 7.8 per cent this year to Y755.7bn, but are annoyed that many contracts are going to foreign companies.

"Japanese companies give the aid money through their taxes, but because business here is strong now, they are not so concerned. In the future, we feel that the aid programme may lose the support of the business community," Mr Matsunaga said.

Precise figures on foreign involvement are not available, though Miti claims that foreign companies take part in more than 50 per cent of aid-funded projects, and foreign diplomats suggest the figure is lower. A British consultant said aid work was difficult to break into for both commercial and cultural reasons.

The increasing role of foreign consultants in devising specifications for aid work is one of the most sensitive issues among the Japanese ministries. There have been foreign complaints that aid, although increasingly untied (71 per cent was generally untied in 1986, 15.6 per cent was partially tied, and 13.4 per cent was tied), inevitably funded the work of Japanese companies because of the exclusive use of Japanese consultants.

**'We are willing to share work generated by the aid budget'**

Mr Takashi Koezuka, director of multilateral co-operation in the Foreign Ministry's Economic Co-operation Bureau, said that foreign consultants can comprise up to 25 per cent of the members of feasibility study teams for grant allocation.

The opening for foreigners was created last year, and in the fiscal year to end March, 19 foreign companies were involved in 12 feasibility studies. Mr Koezuka said figures for the total number of feasibility studies undertaken last year were not available, though there were 316 in 1986, and 289 in 1985.

He said Japanese companies liked working with foreign consultants because they could obtain expertise and because the foreign firms were sometimes cheaper. Miti thinks this 25 per cent figure, although rarely reached, is too high and the ministry opposes any further concessions in consultancy, which is to be reviewed later this year.

A European diplomat who monitors Japan's aid programme says Japanese companies get more aid contracts for two reasons: they know the areas well, and feasibility studies for projects are written to Japanese specifications.

Opportunities have arisen since 1987 with general loans to foreign countries that go by the name "non-project type assistance", which allow governments to spend the money on needed equipment or commodities. The European diplomat said the most important factor in winning contracts from that pool of money is the relationship between individual companies and the government or its purchasing agent.

The Crown Agents were enlisted to administer about $100m of a $500m grant fund for snb-Saharan Africa and other particularly impoverished countries under a programme announced in 1987. A Crown Agents official said Japanese officials had encouraged the purchase of foreign products because the country wanted to be seen to be making genuine aid donations.

Most of Japan's aid money has been directed to Asia, which received 65.1 per cent of Official Development Assistance (ODA) in 1987, up from 64.8 per cent in 1986, but a fall from 70.5 per cent in 1980. About 30 per cent of aid money is in the form of grants, while the interest rate average was reduced from 3 per cent to 2.6 per cent last year.

Japanese aid distribution has clearly been influenced by the foreign policy considerations of Washington in recent years. Japan supplies about 33 per cent of Mexico's ODA and about 25 per cent of Pakistan's ODA, even though both are not of immediate interest to Japan.

The changing role of the Export Import bank has reflected the influence of the Foreign Ministry on the aid debate. From providing export credits, the bank has begun to issne general untied loans under a $30bn fund recycling plan. In all, $9bn of that money is to be handled by the Exim Bank over three years to 1991. In 1982, the bank's export credits were Y680bn, in 1985 they were Y534bn, and in 1988 they were Y312bn. The decline has encouraged the bank to broaden its role in foreign aid.

**Robert Thomson**

**Michael Holman** looks at developments in the provision of external assistance

# Where imports depend on aid

THERE is one statistic which illustrates both the opportunities for low-risk trade with Africa and the continent's economic malaise: more than a third of sub-Saharan Africa's imports are aid-financed.

In 1986 – the latest year for which a breakdown is available – $9bn out of a total of $25bn worth of goods, mainly from the West, were covered by bilateral and multi-lateral sources of assistance.

The critical point for the businessman or contractor, who may otherwise steer clear of a notoriously difficult market, is that payment is guaranteed – hence the appeal of a well-attended conference in London earlier this year on Africa: Aid and Trade, organised by the Tropical Africa Advisory Group, part of Britain's Trade and Industry ministry.*

Several themes emerged:

● Assistance to African countries is focused on countries which are implementing economic reforms advocated by the International Monetary Fund and the World Bank. This provides a yardstick for the selection of potential markets among the 45 countries of sub-Saharan Africa.

● The importance of Japan in Africa is growing. This year Japan will be the world's largest bilateral aid donor, disbursing $10.4bn. The proportion going to Africa, currently 10 per cent, is expected to rise.

● Privatisation of state-owned companies taking place across the continent opens up opportunities for outside partners. The privatisation process, which often involves foreign participation, can be backed by external assistance – from Britain's Commonwealth Development Corporation, for example, or the International Finance Corporation, the affiliate of the World Bank that deals with the private sector. There are around 3,000 state-owned enterprises in Africa, many of which are being privatised.

● Familiarity with tender procedures is vital. The range of donors is wide – the World Bank, the African Development Bank, and the European Community lead the field – and paperwork can be complex.

● It is expected that the preferential access to the European market enjoyed by sub-Saharan Africa under the Lome Convention will be improved under Lome IV.

As Africa's economic crisis has deepened, so the trials and tribulations experienced by its trading partners have grown. Payment delays and restrictions or surcharges on export cover facilities are common.

But at the same time Africa's share of net official development assistance (ODA) disbursements has risen, giving rise to new trading relationships and opportunities. Sub-Saharan Africa now accounts for 30 per cent of global ODA, although its population accounts for only about 12 per cent of the total population of developing countries, a recent World Bank report points out.

In an effort to encourage Africa along the path of structural adjustment, this assistance is increasingly dependent on the extent to which adjustment policies are implemented.

In 1986-7, the Bank notes, nine of 16 major Development Assistance Committee donors shifted a larger share of their sub-Saharan aid to reforming countries. In addition, the four major multilateral donors (African Development Fund, European Community, IDA and the UN agencies) also reallocated more of their aid in favour of countries with strong reform programmes.†

As Mr Christopher Patten, Britain's Minister for Overseas Development, reminded delegates, one plank of the international community's response to the continent's crisis "is the provision of financial support to allow African countries to import the goods they need to galvanise their economies into action."

The leading source of aid is the World Bank. In the financial year ending June 1989 its lending to Africa will reach $4.2bn – 70 per cent committed to investment operations, the balance for policy-based lending.

World Bank itself does not handle the procurement, notes Mr Raghavan Srinivasan, one of the speakers at the London conference, and principal procurement adviser at the Bank: it merely makes the funds available, but establishes certain rules.

The borrower, he stresses, is responsible for inviting bids, and is the first point of contact.

That said, most of the complications encountered by businessmen in non trade-aid deals are nevertheless avoided, and Mr Srinivasan went on to outline the advantages. Although he was speaking in the context of World Bank funding, his comments apply to trade-aid related deals in general.

There is no political risk: "If you are a supplier winning a contract in Somalia for supplying tractors, you can get it paid, through a confirmed, irrevocable letter of credit established in London, so that you may ship the goods and get paid without knowing where Somalia is on the map."

There is little commercial risk. The foreign currency is fully protected: "Even contractors who are constructing a highway . . . in Kenya can ask for their foreign currency requirements in sterling or in any other currency."

For large contracts lasting more than a year, price adjustment clauses can take inflation into account.

The dramatic expansion in Japan's official development assistance was outlined by Mr Masahiko Agata, the chief representative in London of the Export-Import Bank of Japan. It has increased 140 per cent in real terms in the past 15 years, and Japan plans to double the five-year aggregate to $50bn during the period to 1992.

"Japanese aid presents exciting opportunities for anyone concerned with exporting goods or services to Africa," says Mr Peter Berry, managing director of Crown Agents, the UK procurement agency which acts for Japan in sub-Saharan Africa.

An increasing proportion of Japan's aid is untied. Part of the funds available are effectively balance of payments support, covering purchases of essential spare parts and raw materials. But at the same time, Mr Berry points out, "very large amounts of Japanese funding are going through the multilaterals, and to local development finance institutions for onlending locally."

As for project lending by Japan, says Mr Berry, "you are only going to succeed in gaining access to Japanese aid for major projects if you adopt some kind of joint approach with a Japanese company."

Mr Berry ended on a cautionary note: Japanese assistance is substantial, "but it would be foolish to regard it as a crock of gold."

*The proceedings of the conference are available from Rooster Books, Highfields, Roydon Road, Stanstead Abbotts, Nr Ware, Hertfordshire SG12 8JS. Tel: (0920) 871447/870148. Price: £45 plus £2.50 p&p.

†Sub-Saharan countries classified by World Bank as having strong reform programmes: Burundi, Central African Republic, Congo, Ivory Coast, Gambia, Ghana, Guinea, Guine-Bissau, Kenya, Madagascar, Malawi, Mauritania, Mauritius, Niger, Nigeria, Senegal, Tanzania, Togo, Zaire. Some countries, such as Botswana, are not classified because they have consistently followed sound policies.

## Sub-Saharan Africa

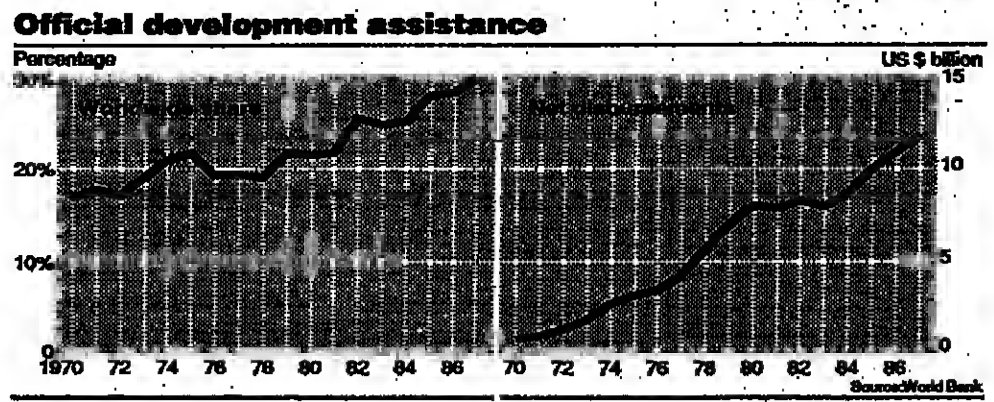
**NET FINANCIAL FLOWS TO SUB-SAHARAN AFRICA 1980-87***

| | 1980-87§ $bn | 1984 $bn | 1985 $bn | 1986 $bn | 1987 $bn |
|---|---|---|---|---|---|
| Total net financial flows | 14.8 | 9.5 | 9.0 | 12.1 | 13.7 |
| Change deflated by import prices | -0.9 | -27.1 | -4.1 | 28.2 | 0.4 |
| of which: | | | | | |
| Grants | 5.1 | 5.3 | 6.4 | 7.5 | 7.8 |
| Loans | 7.5 | 3.2 | 1.9 | 4.3 | 5.4 |
| IMF | 1.0 | 0.5 | 0.1 | -0.3 | -0.7 |
| Investment | 0.6 | 0.5 | 0.6 | 0.7 | 0.7 |
| Total net ODA disbursements | 7.7 | 7.9 | 8.9 | 10.7 | 12.2 |
| Change deflated by import prices | 2.8 | 5.1 | 13.5 | 13.4 | 5.8 |
| Bilateral | 5.3 | 5.5 | 6.1 | 7.3 | 8.2 |
| Change deflated by import prices | 4.0 | 3.1 | 12.9 | 12.2 | 3.6 |
| Change deflated by DAC price index | 3.8 | 3.6 | 10.3 | -2.6 | -2.5 |
| Multilateral | 2.3 | 2.4 | 2.8 | 3.4 | 4.0 |
| Change deflated by import prices | 0.2 | 9.8 | 14.6 | 16.0 | 9.9 |

*Average annual percentage change unless indicated otherwise
§Annual average

Source: OECD and World Bank

**Official development assistance**




# Perestroika

Continued from Page 3

The Soviet Union is thus a long way from exhausting its borrowing capacity and its impeccable payments record means that it is still an attractive borrower in international capital markets.

According to a recent study by the OECD most other East European countries also have room to increase their debt, although Poland's continuing economic crisis means it has not been able to resume borrowing, and debt levels are also high in Hungary and Bulgaria. But the OECD also warned that market conditions are tightening against Eastern European borrowers as their tendency to run up additional debts increases.

One of the features of recent years, it said, was a decline in the share of borrowings by these countries which carried an official export credit agency guarantee. It attributed this development to the reduction in subsidies on official export credits which has made them less attractive compared with direct market borrowings.

Officially guaranteed debts of the Soviet Union and the six Comecon countries of Eastern Europe had slipped to only 29 per cent of their total borrowing in 1987 compared with a peak of 38 per cent in 1985.

A further increase in East European borrowings coupled with continued tightening of market conditions could lead to a renewed emphasis on official export credits by these borrowers, the OECD said.

# Excitement of bartering is fading away

Continued from Page 3

offset deals which have become a hallmark of international arms contracts, such as jet fighter sales by General Dynamics to Greece and British Aerospace's Tornado sales to Saudi Arabia.

Third World countries have yet to fully appreciate the leverage attached to large import deals, and there is little to suggest that major capital equipment suppliers or construction companies are prepared to self-start on significant offset offers to gain competitive advantage. On the other hand, should some exporters begin to utilise offset as a sales technique to gain competitive advantage, then it could change the name of the international tendering game.

Nevertheless, within the context of Third World civil sector offset deals, the arrangement made earlier this year between Tunisia and a cluster of automobile makers may represent a significant milestone in the use of offset by developing countries. The deal involved the car suppliers, including Peugeot and Volkswagen, agreeing to purchase Tunisian-made electronic and mechanical components covering around half the cost of the imported vehicles.

The foreign exchange gains are obvious, bnt Tunisian industry also benefits from the car suppliers' obligation to source technical product from the country – a requirement whicb will bopefully have a favourable long-term knock-on effect for the industrial base.

Outstanding worldwide offset obligations, principally those entered into by vendors of military equipment, currently amount to billions of dollars: according to an estimate by Mr Stanley Cotton of Florida-based offset consultants ATL Company to Country Trade Developers, the figure could be between $47bn and $51bn.

**Third World countries have yet to appreciate the leverage attached to large import deals**

In keeping with the company's declared aim – "realising political priorities and commercial reality" – ATL, which has carried out assignments for heavyweight multinational aerospace companies, is seeking to help exporters discharge offset obligations by the latter providing secondary funding or funding guarantees to projects in tbe importing country which may not necessarily be immediately bankable. In lieu of so discharging obligations, the funding may take the form of subsidising interest rates and/or guaranteeing capital repayments.

The success of such arrangements will ultimately depend on the willingness of both exporters and importers accepting this activity as a means of discharging obligations. Although, for instance, the UK government's AWACs offset deal with Boeing has attracted considerable flak over the arguable level of jobs it has generated in the UK, the Ministry of Defence professes itself pleased with the arrangement's performance – $163.5m worth of business placed so far – and states that there is no chance of the high technology provisions of the offset deal being relaxed to allow other forms of offset to count against the corporation's obligations.

However, despite the Ministry of Defence's optimism, some liberalisation of the terms of the eight-year programme may be required should Boeing demonstrably run into difficulties in discharging its obligations within its existing parameters. At that point a more broadly-based economic offset programme of the type granted by the UK to Sandi Arabia in support of Tornado and other defence sales may be appropriate.

## Peter Montagnon discusses reform prospects

# ECGD heads for a shake-up

THE 70th anniversary of Britain's Export Credits Guarantee Department this year will be cause for a rather curious celebration. Far from underlining the continuity of its operation as one of the oldest and best-established export credit agencies in the world, the occasion is likely to be marked by one of the most radical upheavals in its history.

The immediate impulse for this is the report on its future commissioned last year with the blessing of Lord Young, Secretary of State for Trade and Industry, by Mr Malcolm Stephens, ECGD chief executive. Written by Mr Bob Kemp, a former senior official of ECGD, the report was still unpublished at the time of writing, but it was understood to recommend a separation of ECGD's activities into two distinct businesses.

The Kemp proposal, which is thought likely to meet broad acceptance in ECGD's sponsoring ministries in Whitehall, entails granting separate status as a publicly-owned corporation to the short term credit insurance operations based in Cardiff, while leaving the London-based longer-term project credit insurance division basically intact.

A change of status for Cardiff has been on the cards for more than a year as officials came to recognise the need for this important part of ECGD's operation to adapt to the new conditions in European export credit insurance that will prevail in the single market planned for 1992.

Leaving things as they are would mean preventing the newly revitalised Cardiff operation from competing for business on the Continent, while other European agencies and private sector companies would be able to enter the UK market and steal its business. Under present rules ECGD is restricted to a role of supporting only British exports. Moreover, without a change it could also fall foul of new rules on insurance companies that are due to come into force in the EC in the middle of next year.

Under these rules private sector insurance companies will be forced to maintain solvency ratios or cash reserves from which state-owned companies are exempt. This will affect competitors of ECGD, such as Trade Indemnity which is owned by a consortium of leading insurance companies and has been making a concerted attempt to enter the British export credit insurance market. The fear is that they would protest that ECGD as a state-owned institution has an *unfair advantage.*

Even within ECGD some officials have long made little secret of their desire for privatisation of Cardiff. The idea appears all the more attractive because of its robust performance over the past two years. Its new rapid underwriting system means that more than 70 per cent of all insurance applications can now be answered within 24 hours. This has helped boost its turnover with policies written on £11.8bn worth of exports in the financial year to end March, an increase of 6 per cent on the previous year.

**A closer look at the operations of Cardiff reveals several obstacles in the way of privatisation**

Yet a closer look at its operations reveals several obstacles in the way of privatisation, a factor that is thought to have led Mr Kemp into the half-way house recommendation that Cardiff first be turned into a separate corporation with the object of introducing private capital at a later stage.

Though it has made great strides forward in terms of financial performance, most insurance experts consider that Cardiff is not ready for full privatisation. Some say it is still over-manned, and technically there are serious difficulties in preparing it for the private sector, not least the need to prepare historic accounts separating its own busines from that of the rest of ECGD so that reserves can be allocated and a track record established for reinsurance *purposes.*

When the accounts are separated Cardiff will also have to be allocated a share of the bad debts that have burdened ECGD's books since the developing country debt crisis struck in 1982. Superficially this ought to be an easy task. Most of its business is concentrated in the rich industrial countries and relates to commercial rather than political risk, but one country in which Cardiff has run up large losses is Nigeria whose debts, including short term credits, have had to be rescheduled.

The idea of phasing the restructuring of ECGD so that private sector capital can be introduced at some time in the future will allow time for these problems to be dealt with, but it should immediately give Cardiff some additional flexibility to move into the European short-term credit insurance market where its rapid underwriting procedure is expected to prove highly competitive. A *likely additional change is that* it will also be able to enter the domestic credit insurance market where it will confront Trade Indemnity head on in its traditional area of operation.

Some analysts believa that the importance of domestic credit insurance has been overlooked in the wave of excitement abont the expansion opportunities resulting from 1992. At one level it is an integral part of the new approach to credit insurance, because the new European market will consist of multinationals who want one-stop shopping for all their credit insurance needs throughont the Community. Thus, if ECGD is seeking to serve all the operations in Europe of a UK multinational, it will also need to be able to serve that company's UK insurance requirements as well.

The hope is that as it uses its flexibility to expand in this way, the Cardiff operation will become increasingly attractive to private sector investors. One possibility which is occasionally mentioned is that Trade Indemnity might seek to buy it but this would likely provoke objections from the broking community which would be concerned abont a monopoly developing in the domestic credit insurance market. Trade Indemnity executives brush such criticism aside. They say there will be no such thing as a national monopoly anywhere in Europe once the market is freed as a result of 1992.

Among other mooted suggestions for Cardiff is thet it might eventually prove attractive to one of the insurance companies such as Eagle Star or Sun Alliance which is not a shareholder in Trade Indemnity, or that it might eventually be subject to a management buyout.

Such a decision is still some way down the road, however, even though the basic debate abont its future now seems closed. Much less can be said about the longer term project division which has been the cause of large losses to ECGD as a result of the developing country debt crisis.

Essentially the Kemp report *is thought to have been agnostic* on this question, suggesting simply that it was up to the government to decide on the basic question of how far it wished to support long term export credit activity. That suggests a debate of a different kind which, though aired in outline several times in recent years, has yet to get seriously under way.

**ECGD BUSINESS AT A GLANCE (£m)**

| Financial Year | Total business insured | Percentage UK non-oil exports insured | Premium income | Claims paid |
|---|---|---|---|---|
| 1983/4 | 17,700 | 29.8 | 162.8 | 674.3 |
| 1984/5 | 16,600 | 25.3 | 158.8 | 848.9 |
| 1985/6 | 15,500 | 25.3 | 170.7 | 777.1 |
| 1986/7 | 13,569 | 19.8 | 159.8 | 790.3 |
| 1987/8 | 14,975 | 20.4 | 140.6 | 987.3 |

(Source: ECGD)

## US Export-Import Bank

# Agency waits for breath of a new life

AN uneasy quiet has settled over the US Export-Import Bank with the departure of the Reagan administration. New leadership has been promised, but has not yet been formally announced, and the agency is muddling along with reduced resources, uncertain about its future and unable to keep pace with exporter demands.

Rumour has it that President Bush will appoint as chairman one of his "old friends" - Mr John Macomber, 61, a Yale graduate like the president, with an MBA from Harvard. Mr Macomber is credited with having reversed the decline of the Celanese Corporation before it was acquired by Hoechst AG of West Germany, and news of the perspective change has lifted the employees' sagging morale, according to Mr Hal Sundstrom, the agency's spokesman.

Reports say he will be assisted by a vice-chairman with considerable trade experience: Mr Eugene Lawson, deputy labour under-secretary for international affairs and former assistant commerce secretary for Asia-Pacific affairs.

The two will have their work cut out, if they are to revive the agency's role as the trade financing bank of US business. For eight years it rode the Reagan roller-coaster as the administration first tried to defend the direct loan programme, only to resurrect the bank as a "weapon" to the war on mixed credits, before its last budget once again recommended wiping out direct loans.

The coming of George Bush has shed no light on the agency's future. Eximbank's direct loan budget was lumped in with several other candidates for cuts and handed over to Congress for a decision with the vagua recommendation that the Administration was "predisposed to re-fund the bank". On May 16 a House-Senate Conference committee agreed to cut the authorisation for direct loans from $695m in fiscal year 1989 to $695m for the next fiscal year, a move expected to push $150m-$250m in pending applications over into the next year.

Meanwhile, losses have been mounting for the past seven years, an outgrowth of the mismatch between costs of borrowing from the government and the low export credit rates of the late 1970s and early 1980s. In preliminary figures from 1988, the bank reported losses for the year of $428m. Forty-two borrowers were in arrears on a total outstanding principal of $2.7bn, and the agency's once-flush reserves sank to $883.6m by the end of last year.

During the Reagan years, the bank's budget for direct loans plunged from a high of $5.4bn. Mr William Ryan, Eximbank's acting chairman, told a Congressional committee in March that direct loans in fiscal 1989 will support less than 1 per cent of total US exports of more than $300bn.

The free trade hardliners of the Reagan administration insisted that if US business wanted trade finance, it could go to commercial banks. This ideology held even as one US commercial bank after another pulled out of trade finance to seek more lucrative business.

The administration wavered only when the trade deficit headed towards $150bn, but the solution was to bring others around to the US viewpoint with a $300m "war chest" to combat the "predatory" mixed credits of US competitors.

The administration fought for and won an agreement within the Organisation for Economic Co-operation and Development, raising the aid component in mixed credits to at least 35 per cent. After that, the Treasury decided that the "war chest" would be used only defensively when the OECD guidelines were violated.

**Rumour has it that President Bush will appoint as chairman of Eximbank one of his 'old friends'**

The US victory turned out to be a hollow one. The industrialised countries – along with some developing countries – have proceeded merrily along increasing the pace of mixed credits, cutting US businesses – particularly the capital goods sector – in market after market.

Bush: Decision awaited

Tied aid has proved to be so addictive that some customers – China, India, and Indonesia, for example – now require suppliers, as a condition of bidding, to bring government subsidies to the bargaining table, according to Mr Ryan.

The US business lobby has been sounding the alarm. Mr Howard Lewis, vice-president of the National Association of Manufacturers, said tied aid has put American companies a lap behind their competitors. <Making up that lost time is almost impossible, and will continue to be, unless the US wakes up to the reality of the importance of export financing.>

Eximbank was supposed to gather the facts about tied aid and present them to Congress with recommendations in a report due last December 31. The report did not appear until late last month, and when it did, it turned out to be raw data with no recommendations because the administration, as is the case with most issues, has yet to formulate a strategy.

Mr Ryan had to endure two hostile receptions on Capitol Hill, where Congressman Doug Bereuter, a Nebraska Republican, lectured him on the US Constitution: "I am suggesting that you listen to what Congress tells you to do. When we need advice you ought to have some recommendations."

Mr Bereuter went so far as to suggest that Congress consider removing Eximbank from the aegis of the Treasury to the Commerce Department, whose secretary, Mr Robert Mosbacher, has been the only administration official to offer initiatives on trade by suggesting that US companies form consortia for compete with foreign giants.

Congressman Sam Gejdenson, chairman of the House subcommittee on international economic policy and trade, was outraged about one conclusion in the report, which found that tied aid competition had made "no noticeable impact on market share or industrial structure". US business is losing $1bn to $2bn a year, and possibly more in exports to tied aid, he said.

The subcommittee had obtained an early version of the study which suggested creating a tied aid mechanism to allow the US to respond aggressively to mixed credits. Under administration pressure, the report had been "sanitised", Mr Gejdenson said.

The administration has promised recommendations on mixed credits by early summer, and the Treasury is reportedly preparing to set up a task force to work out a tied aid policy.

So the hard questions are still to be answered. Will the US seek once again to negotiate an end to tied aid? Failing that, will it try to match other nations in spending to protect, at the very least, its vulnerable sectors?

Mr Ryan has warned of the excessively high cost of tied aid (35 cents for every one dollar of exports). Business, however, is casting its pleas for support in terms of jobs and markets lost and longing for the appearance of a consistent, rational trade policy.

**Nancy Dunne**

## FACTORING

# Fresh option for foreign sales

FACTORING is emerging as *another option for the exporter* looking for ways to finance his foreign sales.

For a long time factoring – which allows a company to finance sales by discounting its invoices – was a little-used financing technique. But in recent years it has grown rapidly in many countries as a means of funding domestic business. As a method of financing export sales, its growth has been far slower, but many people in the factoring industry believe it is now poised for rapid growth in this area too.

One reason for the relatively slow growth of export factoring has been the failure of the factors to promote the service side of their industry as opposed to its role as a source of finance. The factor can take much of the administrative burden of handling sales off a client's shoulders. Useful though the factor can be in providing funds against invoices, in export markets he faces tough competition from the banks *which are well-established suppliers of trade finance.*

"The service side of factoring is not well understood," said Mr Michael Maberly, managing director of Lombard NatWest Commercial Services, one of the largest factors. "It is seen only as a financing facility. Yet the service side ought to have more attractions because all the problems facing the exporter are more acute."

Despite the obstacles facing the factoring industry it is expanding its activities into new markets around the world. One of the three main international factoring networks, Factors Chain International, has been trying to encourage the growth of factoring in countries such as Turkey, Greece and India, for example, while Griffin Factors, part of Midland Bank, last year became the first British factor to finance exports from China.

An international convention was drawn up last June in Ottawa to iron out the problems which have arisen in the past because of the incompatibility between different legal systems in matters such as the assignment and collection of debt. The convention should make it harder for importers to prevent their suppliers from assigning their invoices to a factor. These trends, the industry believes, will help export factoring match the much faster growth rate of domestic business. Domestic factoring business around the world increased by 16 per cent in 1988 to $151.5bn while export factoring rose by only 2 per cent to $8.8bn.

The Netherlands factored exports worth $2.1bn in 1988 followed by Germany with $1.78bn, Britain with $905m and Italy with $845m, according to Factors Chain International. Export factoring works in essentially the same way as domestic factoring. It is a method of financing a company's trade by using the unpaid invoices issued to customers. These are an asset which the banks and the other providers of finance tend to overlook. By concentrating on a company's sales ledger the factor is able to advance funds against an asset other lenders consider too risky.

Factors provide three related services. They will take over the administration of their client's sales ledger, sending out invoices and making sure the bills are paid; they can provide immediate cash up to 85 per cent of tha value of their client's invoices (the rest, minus the fee, is paid when the customer pays); and they can assess credit risks and insure clients against the possibility of a bad debt. The client benefits from not having the expense and trouble of maintaining his own sales accounts department. He does not have to wait for customers to pay so he has money to finance work in progress and new orders. Finally, the credit assessment service reduces the risk of dealing with customers who cannot or will not pay.

The cost of these services is typically between 0.5 and 3 per cent for the administration of tha sales ledger, whila advances against invoices will carry an interest rate of between 1.5 and 3 per cent, similar to a bank's rate for a conventional loan. The service charge for export factoring is likely to be marginally higher than its domestic counterpart, since more administration is involved, but it will still be in the range of 1 to 3 per cent.

Export factoring usoally works in the following way: The exporter signs an agreement with an export factor who in turn selects an import factor in the country to which the goods are destined. It is the import factor's job to investigate the credit rating of the customer and, once delivery has taken place, take payment and transfer the funds to the export factor who passes on whatever percentage is outstanding to the exporter.

For an exporter, a particular benefit of using a factor is that it allows him to deal on open account terms with his customers abroad. This enables the exporter to offer the same terms of trade that the customer expects from his domestic suppliers and means the customer does not have to pnt up with the inconvenience of dealing with bills of exchange or letters of credit.

The factor's ability to make an immediate payment on the invoices is particularly valuable to the exporter, who would otherwise have to extend his average credit period when dealing with overseas customers. Credit periods may be as mucb as two or three times longer than they would be for a domestic sale.

The factor can also deal with many of the problems which result from dealing in a different language and with unfamiliar local customs and laws. It may be impossible for the smaller company, in particular, to obtain reliable credit information on overseas customers. The factor should have access to this information through his links with local factors. The factor will also be able to speed up payment to the exporter and smootb the problems posed by the use of different currencies.

Tha domestic factoring industry has grown rapidly in recent years because the owners of growing businesses have seen it as an alternative source of finance when the bank manager has reached his lending limits. In export markets factoring has to compete against established methods of financing business. The factors believe, however, that the increasing demand for dealing on open account basis with foreign customers will stimulate demand for their services.

**Charles Batchelor**

**Norma Cohen** on the growth in aircraft financing as fleets continue to expand

# Jet demand fuels rise in lending

WITH SIGNS of sluggishness in traditional forms of syndicated lending, aircraft financing remains the great white hope for bankers.

Salomon Brothers estimates that more than $400bn will be spent in the next 12 years to meet demand for world air travel, with fleets increasing 60 per cent by the year 2000.

Aircraft industry analysts point to a number of factors which are behind the boom in plane demand, not the least of which is the need to replace the ageing fleets that were first assembled in the 1960s.

Tighter standards for noise reduction and fuel efficiency are also boosting demand for the newest models, while worldwide economic expansion and falling oil prices have made air travel accessible to those who previously could not afford it.

Boeing, the world's biggest builder of jet airliners, for instance, has an unprecedented order backlog of 1,520 airliners for delivery through to 1999. Furthermore, its delivery schedule is completely booked through 1993 so that airlines seeking new planes before then will have to buy them second hand or lease them from one of several burgeoning airliner leasing firms.

But while demand for aircraft and the funds to pay for them are rising, profit margins on this type of lending are not. Ironically, margins are even shrinking on financing deals for many carriers while bankers are underwriting a greater percentage of the risk than ever before.

Manufacturers are no longer automatically offering to underwrite a portion of the asset value remaining at the end of a loan's life. In the past, a carrier would arrange a loan for say, 15 years, which would leave perhaps 20 per cent of the asset still unpaid for. The manufacturer would then agree, as part of the loan package, to guarantee the remaining cost of the aircraft if the carrier were unable to pay.

Now, demand for aircraft has become so intense that manufacturers no longer need to offer so-called asset value guarantees in order to prompt sales or encourage lending and banks must seek this type of insurance privately.

Of course, strict comparisons of aircraft financing deals are difficult because costs vary with maturity, the nature of the ownership and the availability of tax-driven lease arrangements, among other things.

But bankers point to a recent facility for Gulf Air, a carrier owned by a consortium of six middle eastern states, which raised eyebrows with margins of only 50 basis points over Libor – a deal that would only a year earlier have attracted margins of ¾ to ⅞ by rough market estimates.

"The market is overheated now," said Mr Lad McAslan, head of aircraft financing at Midland Bank. Midland's policy, he said, has been to allow its market share to shrink rather than step up lending at finer terms.

But clearly, Midland's view is a minority one. In explaining the trend towards lower financing costs, bankers point first to the arrival of a number of new lenders with huge capital pools at their disposal – mostly Japanese banks and leasing companies.

Japanese capital has been drawn into aircraft finance partly by the absence of alternative investments, but also by the availability of tax incentives for various leasing arrangements which the Japanese government has given no sign of wanting to curb. For instance, a recent $125m loan to TAP, the Portuguese airline, was in fact a complex finance lease arrangement in which a group of Japanese investors purchased two Airbus A-310s for lease to TAP. The investors received the tax break and the airline was able to reduce its financing costs.

Bankers estimate that Japan provided over $2bn in tax-lease lending in 1988.

Among recent entrants into the aircraft financing market is three-year-old Spectrum Group, which is about 50 per cent backed by Mitsubishi Trust and Banking and Mitsubishi Group.

The company arranges, structures and underwrites aircraft acquisitions in the form of finance and operating leases and outright purchases. It was

The Airbus A-130, two of which were leased to Portuguese airline TAP in a complex deal

**Market values of used aircraft have been rising sharply**

Spectrum which acted as arranger for two separate British Airways loans totalling $4.8bn to finance purchases of Boeing aircraft. A third loan is currently being arranged.

Similarly, Sumishin Capital Group, based close to Boeing's headquarters in the Bellevue, Washington, was set up partly on capital provided by Sumitomo Trust and Banking.

Several other Japanese long term credit banks have become recent entrants to the business, bringing their leasing subsidiaries in with them. Industrial Bank of Japan, Long Term Credit Bank of Japan and Dai-Ichi Kangyo have all established specialised aircraft lending departments.

Mr Peter Sokell, executive director at Spectrum, said: "It is the influence of these Japanese institutions which have come lately into the business that is pushing margins down."

But not all of the margin paring can be blamed on hungry new entrants to the business. Indeed, it is bankers' changing perception of the risks involved in asset finance that has fueled their willingness to lend.

At the heart of the lending spree is the ability to structure deals in a manner which recognises the value of the underlying asset – the aircraft – rather than the airline's ability to repay. And market values of used aircraft have been rising sharply.

Bankers reason that even if carriers – which operate on notoriously thin profit margins – are unable to repay their loans, the craft itself can be seized and resold at a profit to repay the debt.

Expectations that used aircraft values will continue to rise stem from the recent spate of mammoth orders by registered carriers and by the leasing companies which increasingly account for a larger portion of the world's aircraft demand.

recently announced a $18bn aircraft purchase, the largest such purchase ever made. But bankers question whether orders like these can truly be regarded as a barometer of airplane demand or a gauge of future values.

After all, just over a third of GPA's business is in the form

**Manufacturers no longer offer asset value guarantees**

of firm orders with the remainder consisting of options on aircraft. Such an order clearly drives up the price of aircraft in the second-hand market but only as long as there is reasonable expectation that all options will be exercised.

Significantly, GPA itself has structured its own borrowing in a manner which protects the parent company against the falling aircraft values. It has a 50 per cent interest in a number of joint ventures it established with manufacturers which borrow to finance aircraft purchases but under terms which are non-recourse to the parent. That way, the venture earns the income from the leased aircraft and the profits after the plane is sold. But if the market for aircraft collapses and the planes cannot be sold for enough money to repay the loan, bankers have nowhere to turn for the extra cash.

But bankers appear unruffled by the shift in risk to their own balance sheets. Citicorp recently won a closely-contested mandate to arrange a $250m facility for GPA joint ventures that will be the model for a larger $1.25bn loan covering still more joint ventures.

Also, the increasing use of political risk insurance is making it possible for a wide variety of airlines to obtain financing who would have been previously locked out of the market.

Mr Jeremy Leggett, partner at Leggett, Porter and Howard, a broker specialising in political risk insurance, said that business had increased sharply in the past few years.

For instance, while Poland has been unable to raise medium term funds in the loan market since 1980, its flagship carrier, Lot, was able to purchase three Boeing planes in a complicated financing package which included political risk insurance. As a result, the banks were able to avoid classifying the loan as Polish risk, thus avoiding the need to set aside reserves for the new funds equal to reserves on existing Poland loans.

Raphael Preteceille, associate director of London Forfaiting Company: "We have made money in worse circumstances" Trevor Humphries

Competition between forfaiting houses is stiff, writes **Alan Spence**

# Fight is on for business

A YEAR AGO, the small band of mainly London-based specialist forfaiting houses were fighting each other hard for business. Since those days the general interest rate climate – high and choppy – has not made life any easier for those operating in this highly specialised branch of trade finance.

However, an increasing realisation among exporters in the UK, Europe and elsewhere that up to 100 per cent, non-recourse finance is, indeed, a valuable cashflow/credit security tool is aiding volume. Moreover, reflecting still tough competition, soma forfaiters are now being more flexible in their application of the technique, while in some cases this flexibility interfaces with new innovations offered by some houses, such as pre-shipment finance by Hungarian International Bank.

**High-value deals remain the backbone of the forfaiting market, though there is a tendency to handle more short-term business**

Taken together these developments could steadily change the shape and depth of the traditional forfaiting market.

A forfait finance has been traditionally associated with longer-term, high-value capital goods/construction business. Indeed, this arguably remains the backbone of the forfaiting market with, for instance, a market leader London Forfaiting focusing on deals valued at up to £50m involving power and chemical plants, hotels and merchant shipping vessels.

However, there is now a general tendency among forfaiters to be willing to handle more short term, lower value business. Mr Simon Lay, of Midland Bank Aval, for instance, says MidAval is handling considerably more short-term business of, say, around 60 days' duration as UK exporters increasingly appreciate the value of this form of trade finance. He makes the point, however, that the attractiveness of such business for the exporter tends to be linked to the extent to which the forfaiting operation relates to repeat business, given the cost of the necessary credit-checking and avalising procedures.

Morgan Grenfell is another market participant which is happy to entertain short-term business, according to Mr Stephen Syrett, chief executive of Morgan Grenfell Trade Finance Ltd. Such deals have included, for example, funding on a short-term a forfait basis grains and pasta exports out of Italy. Size is obviously a key criterion in whether a deal is struck: anything less than $250,000 tends not to be. Morgan's decision some 18 months ago to make a more concerted pitch for forfaiting business (it had been involved in forfaiting since the early 1970s) is testimony in itself to the changing shape of the market. At the time, Mr Syrett says, the bank debated whether to incorporate a subsidiary with "forfaiting" or "aval" woven into the title. However, the bank believed that this would not adequately reflect the integral role it wished the technique to play within the context of its overall trade finance operations, linking in, for example, with lease back arrangements, a combination it forged in the case of a Bulgarian ship deal.

Traditionally, the overall volume of forfaiting business has tended to mirror interest rate conditions, given the fixed rates which are one of the hallmarks and attractions of this form of funding. And, given the choice, forfaiters would prefer more stable and low rates to allow them to more smoothly administer business. None the less, given the welter of interest rate hedging/swapping facilities which now exist, those forfaiting companies willing and able to take best advantage of them may find themselves in a better position to provide exporters with finer financing margins.

Mr Syrett doubts the extent to which forfaiters are using such financial instruments to underpin their operations, but makes the point that Morgan Grenfell is doing so.

Interest rate conditions aside, London Forfaiting Company's Mr Raphael Preteceille says: "I'm a happy optimist: we have made money in the past in worse circumstances." LFC's philosophy is based on building up long-term relationships with exporters. "You have to build up support from exporters and they need to know their counterpart will still be there."

**Regardless of the emerging level of UK business, in a cluster of other countries, the Far East for instance, forfaiting is proving more attractive**

In recent months Hungarian International Bank has moved towards Morgan's current position, but from the opposite direction: it is integrating its specialist forfaiting service into a more holistic trade finance package designed to offer a more comprehensive package for exporters.

Innovatively, Hungarian International is now offering clients a package which combines not only the traditional forfaiting of trade paper at fixed rates, but pre-shipment finance to fund production. This can involve HIB providing an exporter with funds during the manufacturing period secured by the exporter assigning an irrevocable letter of credit opened by the importer to HIB.

In a way the process involves the bringing forward of the forfaiting transaction in terms of fund provision from the time when payments may normally be made on a stage basis after delivery of goods. Aside from the cashflow advantages that the overall pre- and post-shipment package offers to the exporter, it also puts the latter in a position to offer its client 100 per cent finance terms at the outset — compared with an up-front deposit and subsequent stage payments requested of the same potential client by a competitor.

And in similarly innovative mode, HIB is now recommending appropriate foreign exchange funding to access the lowest available interest rates allied with forward exchange rate guarantees to convert the received funds into the currency of the exporter's choice. Mr Dennis Keenlyside, a director of HIB, says the bank now offers exporters fixed rate, non-recourse funding at the most appropriate rate with a locked-in forex rate guarantee.

Undoubtedly, innovations in the forfaiting market reflect keen competition and a feeling by some exporters that forfaiting is not for them: in many cases an attitude which reflects corporate culture, rather than any basic disagreement over the advantages of the technique. In the UK, itself, there is some debate over the extent to which UK exporters are increasingly harnessing the technique: those who downgrade the importance of the UK as a market for forfaiters point to the lack of capital goods business for which the country's exporters are responsible, compared with some of their foreign competitors.

But regardless of the emerging level of UK business, in a cluster of other countries – the Far East, for instance, where Midland Bank Aval is increasingly concentrating its efforts – forfaiting is proving more attractive.

*The author is editor of International Trade Finance, a twice monthly report published by Financial Times Business Information*



Letters of credit are beginning to change, writes **Jon Marks**

# A rich link with the past

LETTERS of credit, according to one US banker active in Africa and the Middle East, "are not a glamour product." They may, however, provide "a rich instrument that can be structured to individual needs".

Traditionally l/cs were a commission and fee business, as much a part of everyday trade as a bill of lading, and often seen as a bankers' backwater. Associated with serried ranks of clerks processing an interminable weight of paper, in many banks the l/c section is still a link with the pre-electronic past.

This image is changing as the market in l/cs enters a new phase with the electronic processing of documents replacing the clerk and his ledger. For more complex operations, the use of l/cs is also being reassessed by banks looking for flexible trade finance instruments that can be adapted to transactions involving cash-strapped less-developed countries. Letters of credit are being opened for heavily indebted states who might not otherwise borrow commercially. To help offset risk, a little publicised secondary market in l/c paper has developed.

The move into electronic systems and the demands of LDC financing are not necessarily complementary. As a rule, l/cs represent a much higher proportion of LDC business than in industrialised markets. In this case, some bankers argue that expertise in risk management is more important than the development of new systems to process paper. Others argue that the way forward ultimately lies in the introduction of a full system of electronic data interchange (EDI), removing paper from the bulk of l/c operations.

Most analysts believe that despite substantial progress in the field of electronic trade payments, a comprehensive international EDI system is not for tomorrow. Where electronic systems have been introduced to handle documentation they are not necessarily compatible with each other. Legal problems associated with the electronic transfer of documents persist.

The introduction of electronic systems to handle documentary credits is popular with exporters though, says Mr Kevin Turner, of US banking software company Kapiti. The impetus to develop new systems has come primarily from exporters rather than banks, he says, as they want to have documentation processed as quickly as possible to speed payments.

This view is shared by Mr Bill Else, of Midland Montague, one of the few banks to develop its own integrated system for processing l/cs. Establishing Midland's MidTrade system, based around a mainframe computer in South Yorkshire which is accessed directly from branches, represents a "substantial investment but gives market advantage." Costs rise with the increasing volumes of paper needed to process transactions, Mr Else argues. Further, the process of re-writing and typing traditionally associated with l/c business leads to mistakes that are reduced when re-keying is no longer necessary. Electronic systems speed the process of arranging or confirming standard l/cs and can provide exporters, company treasurers and banks with instant access to information on the status of transactions.

Although l/cs are often used with high-risk clients, in many instances their use and confirmation is relatively automatic. The instrument is still widely used in Hong Kong, Taiwan and other Asian markets, where borrowing against l/cs was a common form of securitisation in the years after 1945 by firms with a shortage of working capital. Asian firms are still used to dealing with l/cs which are often opened out of tradition rather than necessity. Some bankers argue that their use as an instrument providing insurance on short-term transactions should not be underestimated. According to Mr Else, it is questionable whether l/cs should be used at all in some cases where minimal risk is involved, given the underlying cost.

**Bankers active in this market minimise the importance of electronics**

Among the millions of documents confirmed and processed each year there are those l/cs whose issue is neither automatic nor risk-free. In a trading environment shaped by the Third World debt crisis of the last decade, l/cs act as what one banker calls "a risk intermediation mechanism" in Africa, the Middle East and parts of Latin America, eastern Europe and Asia. For a bank "the most profitable transactions are those that add most value", he says – when a bank shares the payment risk with an exporter.

Political risk is increasingly a factor in assessing the cost of confirming an l/c, especially for countries which demand longer repayment terms. In most cases the limit is 180 days but Iraq, for one, is calling for repayment over 18 months on some l/c operations. As perceptions of a country's political risk deteriorate, the cost of confirming an l/c is rising and the choice of bank become all the more important for exporters trying to minimise their outlay as well as their risk.

Letters of credit transactions are not immune from the sort of political and economic troubles which have affected other forms of LDC lending. In Nigeria – where the bulk of imports are transacted on an l/c basis, currently through the secondary foreign exchange market – a major issue since the mid-1980s has been an estimated $4.8bn worth of foreign currency debt in the form of promissory notes held by uninsured trade creditors. After decades when Nigerian commerce, based on a network of small traders and traditional links between trading houses, favoured open account and unconfirmed l/c transactions, now only confirmed l/cs are acceptable. Some heavily exposed uninsured exporters holding promissory notes since 1984 have been threatened with bankruptcy.

The economic crisis which erupted earlier this year in Venezuela – previously among the most stable economies of Latin America – has left private sector importers with the problem of honouring an estimated $6bn in l/c obligations. Following the bolivar's emergency devaluation in March, it has been estimated that local currency costs have risen by 160 per cent. It remains to be seen how l/c commitments contracted at the old exchange rate can be reconciled unless the government of President Carlos Andres Perez introduces a rescue plan, which it has so far resisted.

In Jordan, restrictions introduced to curb luxury imports in late 1988 led to six months worth of l/cs being opened in six weeks. A shortage of hard currency for local importers

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**EXPORT FINANCE 8**

**Peter Montagnon** on a big uncertainty in the lead-up to 1992

# French coy on credit plans

ONE OF the great 1992 uncertainties of the export credit world is the position that will be taken in the European market of Coface, France's official export credit agency.

Officials at Coface's ultra-modern head office at Neuilly on the outskirts of Paris are coy to the point of neurosis about revealing their plans, but the conspicuous presence that Coface has begun to develop in the UK has raised eyebrows internationally and set the market wondering about the strength of the wind of competition that will blow from the other side of the Channel.

Unlike the Export Credits Guarantee Department, Coface is not a department of government. It is a company in its own right in which the public sector holds a majority share. This means that the institutional problems it facee in adapting to the single market are somewhat different, but the commercial background is remarkably similar.

Like ECGD, Coface has recently seen a profitable expansion in its short-term commercial risk ineurance business, which is heavily concentrated in Europe. Hand in hand with this has gone a marked increase in its losses on medium-term project risk, a development that has begun seriously to preoccupy the French Treasury.

Last year, for example, net earnings for its own account are thought to have grown by more than 15 per cent to some FFr240m (£23m). Its European loss ratio — the measure which sets claim payments against premium income —

**The presence that Coface has begun to develop in the UK has raised eyebrows internationally**

has fallen to around 37 per cent in 1988 from 66 per cent in 1986, but even though the tendency has begun to level out, it is still paying out massive claims on export credits to developing countries which it insures as an agent of the state.

Claim payments last year are estimated to have totalled some FFr18bn, little changed on the 1987 level with the difficultiee of Egypt, Nigeria, Poland, Morocco and Peru among the moet serious causes. The result of this combination of business trends is that the management of Coface has come under great pressure to develop more strongly as a commercial organisation. With its 20 per cent share of the French export market, it believes it starts out with a strong position to expand in a sector which is still relatively under-insured. Private sector insurers such as Winterthur, Pan Financial and the Belgian Namur group have a relatively small market share, even though the latter derives 60 per cent of its premium income from France.

But the key to its expansion lies in the way in which it evolves a relationship with Société Française d'Assurance-Crédit (Sfac), the largest company in domestic credit insurance, which is mostly owned by a collection of French insurance companies, although Swiss Re has a 10.52 per cent stake. With a view to strengthening the sector as a whole in the light of 1992, the French authorities are looking at ways of developing a rapprochement between these two companies to that they can profit from increased collaboration.

Discussions on the form that this collaboration might take have now reached a sensitive stage in France and officials are reluctant to go into any detail. But one idea is that it should lead to an increased privatisation of the capital of Coface, something which officials are careful to point out should not be construed as full privatisation or denationalisation of Coface, 60 per cent of whose shares are held by the public sector.

The collaboration is neither expected to lead to a formal break in the division of labour

**Management has come under great pressure to develop as a commercial organisation**

between the two organisations, one of which exists to insure domestic business and the other exports, nor to a more formal separation of Coface's short-term commercial risk business from the long-term political risks which it insures on behalf of the state.

Quite what options are left when these factors are discounted is a matter of speculation, bnt insurance experts point out that collaboration between the two organisations would make it easier for them to offer one-stop shopping for multinstional companies which want to insure both French and international credit business. For Coface to seek business in other European countries also means it has to have some way of offering credits insurance in the French market, an activity which under the terms of its mandate it has neglected up till now.

This link between export credit insurance and domestic credit insurance is likely to be a key ingredient for many countries when they consider how to adapt their systems to the single market. Domestic credit insurers are in a particularly strong position because in many cases they have built up an unrivalled dossier of information on companies in their home market and it is on such information that the whole business of insurance depends.

There is another strand to the French reforms, however. When they are finally agreed they are expected to give particular attention to the service that is provided to small and medium-sized businesses. "We don't want the single market to lead to too much concentration," says one official. "Whatever happens must not be to the detriment of the legitimate practice of insuring small and medium enterprise."

ITALY'S TRADE INSURANCE AGENCY

# Shake-up on its way

IN A THIRD floor office a stone's throw from the Trevi Fountain in Rome, considerable thought is now being given to the impact of the European Community's single market programme on the provision of export credit insurance.

Mr Roberto Ruberti, the chairman of Sezione Speciale per l'Assicurazione del Credito all'Esportazione (Sace), the Italian trade insurance agency, is convinced that his organisation and its equivalents elsewhere in the EC not only face a shake-up, but also need a Community directive to regulate their activities after 1992.

He divides the problem into two parts: insurance of short-term commercial risks within the Community — a very minor part of Sace's activities — and medium and long-term political risk insurance in Eastern Europe, Latin America and the Third World.

Since Sace and its counterparts are supported financially by their governments, credit insurance for intra-EC trade looks likely to fall into the category of state aid in breach of the Community's competition rules. To avoid falling foul of these rules, "Sace and others will have to prove that we are acting strictly on market principles," says Mr Ruberti. He acknowledges ruefully though that as far as Italy is concerned such proof would be elusive "because it is difficult to establish the boundary line between public and private." As a result, "our idea is that our risk portfolios deriving from the EC should be transferred to private institutions."

The loss to Sace would not be huge since it guarantees less than 1 per cent of exports

**Harmonisation means offering all exporters the same facilities**

to other EC countries. Overall, its guarantees covered only 5.7 per cent of all Italian exports last year because such a large proportion of these — around 55 per cent — are within the Community. At the end of last year the agency's total exposure was L33,299bn, of which L28,680bn was medium and long-term credit and L4,619bn was short-term.

Turning to the need for EC legislation, Mr Ruberti says it will be essential to harmonise the terms upon which the Community's export guarantee agencies provide cover for exports to Third World countries and also the countries themselves which will qualify. "Many products are manufactured from components produced in several EC countries and it may be possible for a French manufacturer seeking cover for a contract to East Africa to apply to Sace because some of his product was made here and we provide cover for West Africa while France does not. The Italian taxpayer would, therefore, be standing the risk and this could lead to difficulties," explains the Sace chairman.

"Harmonisation means we all should offer the same facilities to all exporters — the same price rates, the same percentage of cover, the same attitudes to exports and covering the same countries."

Mr Ruberti says there have been "some hints" from the European Commission it may be prepared to produce such a proposal rather than for a supranational Euroguarantee agency which "would not be very realistic at this time".

He and the Italian Minister for Foreign Trade, Mr Renato Ruggiero, are concerned to strengthen Sace in the cause of boosting the national export effort when the trade balance is deteriorating so that it could reach L20,000bn this year after touching nearly L13,000bn in 1988. Mr Ruberti favours a flexible approach based on greater co-operation with private sector credit insurers.

"I think it is likely we will have more effective co-operation with the private sector so that the exporter has a choice of cover for buyer insolvency or public sovereign risk," he says. Sace's strength is political risk and Mr Ruberti envisages circumstances where the agency develops joint policies with the private sector which provide both political and commercial cover to "difficult" areas such as Latin America.

He says that, of necessity, Sace's political risk assessment has become more cautious. "We have been following the same trend as the banks in the last decade." The happy go lucky days of the middle-late 1970s, which partly explain Sace's significant losses in five of the last seven years, are now gone and "we have learned to be much more cautious."

"Now we try to establish the merit of the project before the merit of the country itself and we consider not just macro-economic variables but also micro factors linked to the feasibility of the project itself. We give cover in the framework of the possibility of repayment and want to avoid financing white elephants and cathedrals in the desert."

But the significant build-up of the Italian foreign aid programme in the last five years has served to complicate life at Sace because of the popularity of mixed credits as a form of aid. Aid is administered by the Ministry of Foreign Affairs which too frequently fails to co-ordinate its activities with Sace with the result that its requests for cover are often turned down.

More generally, Mr Ruberti believes that credit guarantee agencies must continue to be a financial burden for many governments until the terms of trade for commodities improve and, by extension, the financial positions of many third world countries is strengthened.

**John Wyles**

# A rich link with the past

Continued from Page 7

meant few new l/cs could be opened in the first half of 1989, a period of intense pressure on the economy marked by riots against IMF-sponsored price rises. Foreign currency shortages persist, limiting local firms' ability to import, and raising the cost of transactions.

In the wake of such problems, some banks now ask for "sweetener" payments of 3-4 per cent before they will confirm an l/c. In this difficult environment, specialisation and a strong network of correspondents are seen as important factors in chosing a bank to open or confirm an l/c. As one London-based banker put it, "a presence in Ouagadougou or in Botswana for 87 years gives a knowledge base that can provide the bank with an advantage". For example, by cultivating personal links in a given country or sector, officials can be approached directly in the case of payments delays rather than waiting for arrears to clear their way through sometimes byzantine bureaucracies.

L/cs are still most often confirmed through a specialist centre, such as London for former British colonies, Paris for francophone Africa or West Germany in the case of eastern Europe. To confirm an l/c for Algeria (a market where an estimated $2-3bn a year of trade is conducted on l/c terms) London and the traditional centre, Paris are active. Costs vary widely, and analysts recommend that exporters also look to Brussels — where banks are less exposed to Algerian risk than their French counterparts - and Italy, where banks have built up a substantial trade opening and refinancing Algerian l/cs.

Leading French banks' use of the instrument is related to their traditional involvement in two major l/c markets, Africa and the commodities trade, where Banque Paribas, Credit Lyonnais and Banque Indosuez are among well-known operators. In the UK, Standard Chartered is widely identified as a bank with considarable African experience and UBAF is among Arab banks known to specialise in l/c transactions. In dealing with the Middle East, recent experience indicates it cost less to confirm an l/c with a London-based Arab bank than with a UK bank.

The closer l/c operations come to being involved in the complexities of LDC finance the less bankers like to discuss the market, especially when transactions involve countries with debt problems. "There is no reason to publicise this trade", comments one banker who prefers to remain anonymous. Shareholders may not support activity in high-risk markets even though banks have it to be highly profitable. Clients may not like syndication and other techniques used to offset the risk.

As banks work to reduce their risk a l/c syndication market has developed. Syndication may take place when an l/c is opened, in which case the market is relatively open. In other cases participation begins quietly after the l/c has opened — a sensitive matter when some countries do not, as a matter of policy, allow their paper to be transferred. Some take a very guarded view: Iran, for example does not even like its l/cs to be confirmed, let alone syndicated. The syndication of confirmed paper constitutes "a completely grey market".

The refinancing and secondary market in l/c paper is not alone among mechanisms developed to cope with LDC risk. Less common are standby l/cs, an instrument used when the payments flow breaks down. In these cases l/cs have moved from being a regular mechanism for facilitating small to medium-size transactions to become an element of risk management.

Bankers active in this market tend to minimise the importance of electronics. "The problem in my mind intellectually is that every trade transaction is different," says one. As electronic payments systems become more common legal problems associated with electronic documentation are cited as a drawback.

Mr Kise believes that in most transactions electronic systems can significantly improve performance. "You can't remove paper but you can handle it more efficiently," he says, adding that the introduction of EDI is still some way away. Mr Turner also believes paper has a future as printed bills of lading and other documentation are still essential parts of international trade. There is along way to go before the electronic transfer of documentation becomes legal. According to Mr Turner, "this is the one thing stopping EDI going ahead sooner rather than later".

With the wider use of electronics to handle payments the law may well evolve, reducing to a minimum the paper which for well over a century has dominated the documentary credit industry. And their importance will remain strong in Africa and other regions where risk is high, even on relatively small, short-term transactions. Art and science may not always go hand-in-hand, but the humble l/c is moving from a backwater of trade finance into the 21st century.

ACCOUNTANCY COLUMN

# Future in balance for firms outside big eight

By Richard Waters

WHILE ALL eyes in the accountancy world have been on the "Big Eight" since Ernst & Whinney and Arthur Young announced that they plan to merge, the future of the largest firm outside the eight appears to have been thrown into the balance as well.

BDO Binder, which had revenues of $783m, will lose its French associate, Befec & Associés, to Price Waterhouse from the end of this year. The defection is a significant blow to BDO and symptomatic of the difficulties faced by firms its size.

**Befec's client base includes such names as Michelin and will give Price Waterhouse a useful leg-up for 1992**

Other middle-ranking groups, such as Spicer & Oppenheim and Grant Thornton, have also lost associates to the dominant Big Eight recently.

In revenue terms, Befec is not a huge force in its home country. However, it has a powerful client list. According to figures in the French press earlier this year, it audits 162 *of the country's public companies* – just three fewer than the market leader, Fiduciaire de France.

Befec's client base, which *includes household names* such as Michelin, will give Price Waterhouse an important leg-up as the single European market draws closer. It will also go some way to making up for PW's weak client base elsewhere in Europe – made all the weaker by the ending of its co-operation agreement with the powerful German firm Treuarbeit last year.

Befec's defection has been prompted by the same consideration that has forced similar moves in other European countries. As its domestic clients have become more international in outlook, accountancy firms on the Continent have had to pay more heed to the strength of their international networks.

They have also had to accept the unpalatable (to many) reality thet in the US and UK, the financial community almost demands that large companies be handled by one of the Big Eight.

That change has been particularly acute in the French profession, which until a few years ago tried to keep out the big Anglo-US dominated groups but has now embraced them with a passion.

Befec has already lost some important clients in the past two years, including Banque *National de Paris and Compagnie* Financière de Suez. The link with Price Waterhouse, a "brand leader" in the auditing market, should help it to retain many of the others.

That presents a problem for BDO. It is a loose association of national practices, with its main strengths in continental Europe and relatively weak operations in the US and UK.

This makes it a pale reflection of KMG, which was itself the number nine firm before being swallowed by Peat Marwick two years ago.

Apart from being outside the Big Eight, BDO's main difficulty has been the US, where its associate, Seidman, is only *a fifth of the size of the smallest* of the first division firms.

BDO's UK firm, Binder Hamlyn, on the other hand, almost rubs shoulders with the leaders – although it has lost important clients such as Reuters and Redland to Price Waterhouse in recent years.

The loss of Befec will not do much damage to the business of BDO firms outside France, says Mr John Norton, BDO chairman: the French firm's clients were served overseas by a number of firms, not just BDO.

Befec will be the second important part of BDO's European network to defect. Dijker en Doornbos, its strong Dutch firm (and the "D" in BDO), deserted for Deloitte Haskins & Sells last year (although Price Waterhouse itself came close to winning Dijker).

Hans Heinrich Otte (the "O" in BDO), whose firm Deutsche Waren Treuhand is one of the strongest in West Germany, has also been widely courted by the Big Eight. Like Befec, *his firm boasts a substantial* client base, including companiee such as AEG. Unlike Befec, other BDO firms around the world have benefited from considarable referred work from West Germany.

Mr Otte has held out firmly against the blandishments so far. Should he crumble, the UK's Binder Hamlyn would feel a very lonely "B" indeed.

# The way to build market position

THE IMPORTANCE of Befec to Price Waterhouse is apparent from the table, which shows audit market share in the US, the UK and Europe as a whole. PW has a strong base in the US and UK, but little to speak of elsewhere in Europe (the figures do not reflect the acquisition of Befec).

All of the leading international firms have targeted multinational corporations as their core clients. That makes audit market share the best indication of their relative strengths in this core business.

Since audits change hands infrequently, enccess in attracting firms such as Befec (complete with their own *client bases) is an important way* of building a market position.

The profile of the PW audit base is similar to that of Arthur Andersen (although Andersen is also short of a UK audit base).

That contrasts with KPMG and Coopers & Lybrand, both of which have a strong position among continental European companies and are well represented in the US. The Coopers figures have become even stronger in Europe after mergers on the Continent which have taken place since the table was compiled.

The table also provides an interesting commentary on the planned merger of Ernst & Whinney and Arthur Young. *Adding the two firms together* would, by these figures, create a dominant audit base in the US, but only the third largest *in the UK and Europe*.

That will give the new firm a good position, but is unlikely to keep the senior partners of *other firms* awake at night.

**AUDIT MARKET SHARES OF LEADING ACCOUNTANCY FIRMS**

| | Fortune 500 (US) | FT European top 500 | Times top 1,000 (UK) |
|---|---|---|---|
| Arthur Andersen | 85 | 21.5 | 67 |
| Arthur Young | 43 | 28.5 | 64 |
| Coopers & Lybrand | 58 | 82.5 | 81 |
| Deloitte Haskins & Sells | 44 | 40.5 | 89 |
| Ernst & Whinney | 73 | 32 | 73 |
| KPMG | 68 | 93.5 | 191 |
| Price Waterhouse | 97 | 47 | 155 |
| Touche Ross | 24 | 30 | 47 |
| Other | 8 | 144.5 | 283 |

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Our client is one of the largest and most respected of the merchant banks. Your role will embrace all aspects of deal making, venture capital, M and A and money raising, with future secondment to New York, Europe and the Far East. You should be ACA, aged to 29 and ideally with corporate advisory or investigations exposure gained with a Top 8 firm. Location: City.

**STRATEGIC AND MANAGEMENT CONSULTANCY**
**£32-£40,000 + Car**

Our client offers exposure to the complete range of management and strategic consultancy assignments. The firm now requires two above average graduate qualified accountants, aged to 35, with management experience gained at group or operating level in any one or more of the following areas: financial or strategic planning, cash and asset management, treasury and MIS. For truly ambitious individuals, career progression to Partner level or FD within a client makes this an exceptional career move. Location: Central London.

**SMALL COMPANY CONTROLLER**
**C£30,000 + Car**

Growing computer systems group require a young commercially *minded qualified accountant to share responsibility with two* equally young enthusiastic directors for the future expansion of the business. Dynamic and success orientated, they seek a Finance Director who can bring a sharp commercial edge and help shape the company's future. Location: Central London.

**INTERNATIONAL OPERATIONAL REVIEW**
**£23-£25,000 + Car**

This advanced materials technology group seeks growth by developing existing business, nuturing new ones and by acquisition. Their Corporate Audit Division is expanding to ensure that effective financial controls are implemented. Travelling to the States, Europe and Far East, you will assist in that expansion programme and after 18 months can expect a Controllership in the U.K. or overseas. Currently, you should be finalist or recently qualified. Location: City.

For FURTHER INFORMATION, please call 01-831 4447 or write, enclosing your C.V., to the address below.

David Chorley ASSOCIATES ACCOUNTING FOR SUCCESS
Hanover House, 73-74 High Holborn, London WC1V 6LS Tel: 01-831 4447 Fax: 01-430 1435

ACCOUNTANCY APPOINTMENTS

# FINANCE DIRECTOR (DESIGNATE)

## AMBITIOUS COMPUTER SERVICES COMPANY

**London** **to £35,000 + car + bonus**

Our client is a well established computer services company with ambitious growth plans, supported by its US parent.

The recently appointed marketing orientated *Managing Director is seeking a young, qualified* accountant (preferably graduate chartered) to assume responsibility for the accounting and financial management of the business and to work closely with him, providing input to commercial and strategic decisions.

Candidates should have at least a couple of years' post-qualification experience, preferably gained at divisional level or in the head office of a large company with well developed accounting and management procedures. Familiarity with US reporting would be an advantage.

*This move represents an opportunity to take on* a "number one" role and become involved in all aspects of the business. In personal terms, you will need to be enthusiastic, highly motivated and career minded, with good communication skills and the ability to manage a small team.

Please write in confidence with career details, quoting ref S1368, to Anne Routledge.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

# THE CHALLENGE OF INTERNATIONAL FINANCIAL CONTROL

**WORLD TRADE H.Q., MAIDENHEAD, BERKS.** **c£25000+F. E. CAR+BENS.**

nt northern telecom

NORTHERN TELECOM...tha world's leading supplier of state of the art digital telecommunications systems, continues to plan for the future. With revenues in 1988 of U.S. $5.4 Billion, the company has embarked on what promises to be a most exciting programma of rapid growth in its effort to achieve "VISION 2000" – the corporate goal of global market domination by the year 2000, through a well conceived business strategy of product quality and superior customer service.

1988 saw an important step towards achieving this goal with the formation of NORTHERN TELECOM WORLD TRADE, (NTWT), which brought together NORTHERN's non-American businesses in order to provide e sharper focus on European, Asian, Near Eastern and Pacific Rim markets. Having experienced explosive growth in sales for that period alone, NTWT clearly has a vital strategic role to play in the attainment of "VISION 2000".

Currently NTWT is building a highly qualified financial team to participate in managing the subsidiary through *this exciting period and in particular, seeks two individuals with technical and leadership qualities* and the determination to succeed in growth orientated, multinational environment:

**HQ OPERATIONS CONTROLLER**

Responsible for all accounting functions within NTWT H.Q. in addition to the provision of accounting and commercial analytical support in the strategic *marketing regions.* The position *offers significant* challenge and the opportunity to use your experience and creativity to elevate the value added of your team of 8, while you learn the exciting world of the high-tech telecommunications business.

**OPERATIONS COMPLIANCE MANAGER**

You will play the key role in the development and implementation of operating controls and will work closely with the finance and line functions to build the *fundamental platform for a billion dollar business.* The position offers significant scope and the opportunity to use your experience and energy to shape policies and procedures for the 1990's.

You will be a qualified accountant or MBA with approximately 2 years post qualification experience. The benefits will include a choice of company car and relocation assistance where necessary. Most importantly, *opportunities to develop your career within NORTHERN TELECOM, potentially ANYWHERE IN THE WORLD,* are excellent.

For an informel discussion, please contact
BILL GREENWELL, Consultant to tha company on:
01-387 8118 (Office Hours) or 0604-705046
(After 8.00 p.m. Evenings/Weekends) or write to:

SCOPE EXECUTIVE
Financial Recruitment
Euston House,
81-103 Euston Street
London NW1 2ET
Telephone: 01-387 8118

# CHIEF FINANCIAL ACCOUNTANT

**Cheltenham**
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The Chelsea Building Society is a major UK Building Society with total assets exceeding £1.5 billion and a staff complement approaching 600.

Over the last few years the Chelsea's combination of growth and profit have made it one of the highest performing building societies. To help maintain this level of performance the Society is seeking to appoint a Chief Financial Accountant. With responsibility for financial and control accounting and for the Society's role as an agency branch of one of the UK clearing banks, this position is of crucial importance to our future operations.

Reporting to the Assistant General Manager (Finance) you will probably be in your late 20s or early 30s, preferably a Chartered Accountant, with several years' senior financial management experience in the financial services sector. Whilst skilled in line management and team building, you will still be a "shirt-sleeved" accountant, able to operate at detail level. The business is highly transaction orientated so you must be highly computer literate and capable of making a major contribution to an ambitious management team. You must also be able to manage a large team which you will be encouraged to strengthen as and when the need arises.

The Society's Administrative Headquarters are located in Cheltenham in splendid surroundings offering excellent staff facilities.

To apply, please telephone for an application form or send your cv. quoting **Ref:3373/DH/FT to David Hay, PA Consulting Group, Park House, Greyfriars Road, Cardiff CF1 3AF. Tel: (0222) 341131.**

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# FINANCIAL SERVICES

**London & Bristol** **£28,000 — £35,000 + Banking Benefits**

*Our client is a respected and dynamic integrated global Financial Services group. It now seeks to strengthen the financial functions at its two main UK centres to cater both for growth and for the function's increasing commercial involvement. Applications are invited for the following key positions:-*

**Group Management Accountant**
**London** **To £35,000 + Bfts**

*Responsibilities include management and statutory reporting, systems development, tax planning and the provision of commercial advice to non-financial managers. The position will require considerable liaison with overseas operations including periodic visits. Preferred age range 25-30.*

**Company Accountants (2)**
**Bristol** **c£30,000 + Bfts**

*Responsibilities include the preparation for a number of active companies of monthly management accounts and board papers, statutory accounts and regulatory returns. The positions will require considerable liaison with auditors and the computerisation of the existing manual records. Preferred age range 28-40.*

*Candidates will be Chartered Accountants with a good academic record and a strong technical background gained within a major professional firm. They should also be computer literate and have the personality and presence to make a significant commercial contribution.*

*Benefits include a company car, subsidised mortgage and free medical insurance.*

*Please reply in confidence with a comprehensive curriculum vitae, details of current earnings and a daytime telephone number to D.E. Shribman.*

HUDSON SHRIBMAN
VERNON HSE·SICILIAN AVE·LONDON WC1A 2QH·TEL: 01-831 2323
FINANCIAL RECRUITMENT

# Divisional Finance Director

*London* *£30,000 – £35,000 + benefits*

Our client is a highly successful company specialising in the provision of building services within the construction industry. Activities include the design, installation and commissioning of environmental, mechanical and electrical building services for major developments and refurbishments. The company is structured into autonomous divisions with devolved management responsibility, and has shown a very strong growth record in recent years.

As Finance Director for the Southern Division, you will support the Divisional Managing Director and Board with the financial information required for the management of long-term multi-million pound contracts. You will be responsible for the operation of all accounting systems in this £80 million turnover division.

Candidates must be Qualified Accountants with impressive management experience at a senior level. You must have strong planning and forecasting skills and experience of project-related financial management.

Please reply in strict confidence to Charles Vallee with details of age, career and salary progression, education and qualifications, quoting reference 5247/FT on both envelope and letter.

**Deloitte Haskins+Sells**
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Appointments Advertising Appears on Wednesday and Thursday £49 s.c.c Premium Positions £59 s.c.c

# FINANCE DIRECTOR

West Midlands £35–40k+car+benefits

Our client, a medium-sized metal based manufacturing business, is reorganising its management team and requires a finance director who, reporting to the chairman, will play a major part in revitalising the business and in installing appropriate control and performance measurement systems.

The position offers very considerable opportunity for general management involvement with excellent long term prospects. Candidates, preferably graduate chartered accountants aged between 30 and 40, will have had both hands-on and management experience in well controlled manufacturing businesses. Substantial computerised systems development experience is sought as is the ability to interpret basic manufacturing information into reports which will contribute substantially to overall business development. The possession of an MBA or similar qualification would, therefore, be valuable.

If this position interests you please send brief personal and career details to Julie Meakin quoting reference F/509/J.

**Ernst & Whinney**
Executive Recruitment Services
Lowry House, 17 Marble Street, Manchester M2 3AW.

# Taxation Manager

## c£34,000 + Bonus + Car

With operations worldwide, our client is a market leader in the field of advanced materials technology. Competing in an aggressive and dynamic sector, it achieved a growth of 20% in its pre-tax profits for 1988. Its recent growth has been largely organic, but a policy of growth through acquisition is now being implemented.

It now wishes to recruit an assistant to the Head of Group Taxation. He or she would be responsible for all corporate tax issues relating to the UK operations, including supervising the preparation of corporation tax returns, producing operating plans and forecasts and advising on the tax aspects of periodic financial statements. He or she will assist the Head of Tax in ad hoc projects and investigation work and will represent the company in discussions with relevant Government authorities and with professional advisers.

Based in Central London you will be required to travel within the UK to liaise with the company's operational sites and it is anticipated that a moderate amount of overseas travel will be required in the future.

Ideally you will be an ACA with between three and five years' corporate tax experience gained either within public practice or industry and commerce. ATII membership would be an advantage but is not essential. You must also be able to demonstrate strong interpersonal skills as the position will involve liaison both with local operating companies and senior management.

The remuneration package is flexible for the right individual and will, of course, include the full range of company benefits.

For further information regarding this excellent opportunity, please contact Jane Hayes ACA on 01-831 2000 (evenings/weekends 01-876 6110) or write to her at Michael Page Taxation, 39-41 Parker Street, London WC2B 5LH.

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International Recruitment Consultants
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# FINANCIAL PLANNING & ANALYSIS MANAGER

**West London/A40 Corridor Age 27-32 £28-30,000+Car**

Following the promotion of the current incumbent to a role within the wider group, our client is now seeking to recruit a Financial Planning and Analysis Manager. The responsibilities of the successful candidate will include:

- A positive contribution to the business via the management of all financial planning activities to the assessment and integration of acquisition targets
- Establishing oneself as a proactive member of the Management team via the provision of key analysis of operating and trading activities
- The management and development of a small professional team providing an ad hoc analytical service to Executive Directors

By definition the role will require all the attributes of a qualified Accountant, but more importantly will demand the personal qualities of a strong, commercially-minded individual with a high level of business acumen. The most essential of these personal qualities is an ability to impact upon the business and its profitability and the flair 'to make things happen'.

The client itself is a high profile division operating within the FMCG product market and part of a well-respected and expanding group.

Individuals, who have had previous financial planning and analysis experience, preferably within a blue-chip environment, and feel that they would like to discuss the above opportunity further, should contact:

Shirley Knight BA, MBA, ACMA on 01-491 3431 (01-281 1245 evenings/weekends). Alternatively, please write to her at FMS, 14 Cork Street, London W1X 1PF enclosing a recent CV and a note of current salary.

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# FINANCIAL ACCOUNTANT

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Following the merger between Abbey Life and the five Lloyds Bank businesses we are now well equipped to expand and develop our broad ranging products in the fast changing financial services marketplace.

To join our new corporate headquarters team, we are now seeking a Chartered Accountant with around two years post qualification experience, including the consolidation of accounts for a major organisation.

The remuneration package offered is exceptional and includes a quality company car, a range of useful benefits and, if appropriate, a generous relocation package.

This is an exceptional opportunity to join a market leader in the sector and build your career with a leading, successful and influential group of companies.

In the first instance write with C.V. to Beverly Kaye, Personnel Department, Abbey Life, 80 Holdenhurst Road, Bournemouth, Dorset. BH8 8AL.

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We are small enough for you to make a major impact and sufficiently large to offer substantial commercial exposure across a £multi-million business.

Applicants should have previous supervisory experience gained from within a manufacturing environment and the potential to take on greater levels of responsibility in line with the company's growth.

Along with all the benefits you'd expect from such a dynamic organisation, there are excellent career prospects, both within Dowty Defence & Air and in the group context.

Telephone 01-992 3434 for an application form, or send a full cv, stating your current salary, to Jill Townley, Personnel Officer, Dowty Defence & Air Systems Ltd., 136 Mansfield Road, London W3 0RT.

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Please write, with full career details and choice of location, to:

John Townend, Price Waterhouse, Southwark Towers, 32 London Bridge Street, London SE1 9SY. Tel: 01-407 8989.

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# Financial Director

## EAST HANTS, c.£30,000 + CAR + BONUS

A strong commitment to sustained growth is central to the future of this dynamic, recently established manufacturing company. The organisation has already secured an enviable position as a major supplier to the UK housing market. In the short-term operations are planned to achieve sales in excess of £5m following the considerable increase in demand levels.

In this newly created post you will, as a key member of the management team, play an important role in driving forward financial performance and provide a positive contribution to the decision making process across the range of business activities. With total responsibility for the financial functions, initial tasks will include the further development of financial and management information systems; financial planning techniques; control and administration procedures and management reporting requirements commensurate with the business needs.

An innovative, qualified accountant, you must be able to demonstrate well developed commercial acumen in addition to sound financial and technical skills. You should have experience of computerised financial and information systems, ideally gained in a manufacturing environment. As an individual, you must be a 'hands on' and enthusiastic person, with the appropriate skills and personality to enjoy the rigours of an enterprise enjoying rapid growth.

Please send résumés, including details of present remuneration and giving a daytime telephone number to Adrian Edgell, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ, quoting reference AE568.

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**TRUST PARTNER DESIGNATE**
**£40,000**
**CENTRAL LONDON**

Our client, a medium sized firm of Chartered Accountants seeks an experienced individual that is currently supervising a Trust Dept. in a firm of Chartered Accountants or Solicitors.

Please contact David Paton, Executive Search Division, Hynes Associates Ltd, 77/79 Wells Street, London, W1. Tel: 01-580-552.

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TOMKINS

# Divisional Controller

## To £40,000 + Bonus + Share Options + Car

As one of the most successful industrial management companies, our client is continuing to develop an international strategy of highly selective acquisition and revitalisation of under developed businesses.

An opportunity has arisen from internal promotion for an exceptional individual to assume responsibility for the financial performance of a division comprising a diverse range of companies.

Working closely with the Division Director and the operating company Finance Directors, the successful candidate will provide the link between the highly antonomous subsidiary units and the head office. The Divisional Controller will give guidance on all aspects of financial management and will be involved in add-on acquisitions.

Candidates should be energetic qualified accountants, aged 30-45, with strong communication skills and sound financial experience gained in a manufacturing environment. It is essential that candidates have the commercial breadth and personal qualities to succeed and progress within this demanding international group where career advancement is not confined to the financial area.

Please telephone or write enclosing full curriculum vitae quoting ref: 327 to: Nigel Hopkins FCA, 97 Jermyn Street, London SW1Y 6JE
Tel: 01-839 4572

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FINANCIAL SELECTION AND SEARCH

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# FINANCIAL CONTROLLER
## PRIVATE CLIENT STOCKBROKING

**City** **c£35,000 + FX Car**

Our client is a London based, private client stockbroking firm, part of one of the UK's largest and most broadly based banking and financial services groups. In the stockbroking market it is a major player in its own right. As part of a banking group with shareholders' funds of over £1 billion it is superbly placed to capitalise on the group's plans for future development.

Liaising closely with the MD on day to day matters and with functional responsibility to the Group FD, the Financial Controller will be responsible for a number of key initiatives as well as the finance function. Specifically, this will include:

- providing an analysis of product profitability to highlight both potential problems and profit opportunities
- ensuring systems and controls interface effectively with group and other group companies
- maximising the use of client funds through money markets.

It is envisaged that the role will lead to a directorship in due course. Thereafter, opportunity will be limited only by your own ability.

The successful candidate, aged 30-35, will be a graduate ACA. Relevant stockbroking/banking experience, including a knowledge of compliance matters, will be a distinct advantage. However, candidates who can demonstrate the ability to thrive in a new environment will also be considered.

In the first instance please write, enclosing a brief CV, to Ken Brotherston at the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

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# DEPUTY CHIEF ACCOUNTANT

**London** **c. £32,500 + Car**

A fully listed Property Development and Investment PLC has a programme of expansion which has created a new position for a Deputy to our Chief Accountant. Applicants must be qualified Chartered Accountants with a minimum of three years post qualification experience.

Duties are primarily concerned with assisting the Chief Accountant in supervising the entire finance and accounting function of the group. The accounts department currently has 8 staff using mini computers supplemented with P.C's using spreadsheet software. The successful applicant will be expected to introduce new financial controls and reporting systems and also possess the personal skills and technical ability to deal with outside professionals including Bankers and Auditors. A flexible approach is essential as projects can occur at short notice. The expansion and future plans of the Group will provide further challenge and responsibility.

The financial package on offer includes a salary of £32,500 per annum, plus fully expensed quality company car and after a qualifying period, Pension, Life Assurance and Medical Insurance. The working environment is in modern air conditioned offices with an excellent subsidised staff restaurant.

Please forward CV's to

Box A1245, Financial Times, One Southwark Bridge, London SE1 9HL

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Q8

# KUWAIT PETROLEUM (GB) LTD

# UK Internal Audit

**Career Development opportunity with an International Oil Company**

Since entering the UK downstream petroleum market place in October 1986, Kuwait Petroleum now operates one of the largest networks of service stations in the country and is in the process of expanding its operations further, both in the UK and Europe.

Based at the Company's new headquarters in Staines and reporting to the Audit Manager (UK), you will be responsible for the performance of audits within the UK Company and will have the opportunity to participate in teams performing audits of other Group operating companies in Europe. This is a high profile role which is expected to lead to further career advancement in the UK or internationally.

The position requires a sound knowledge of accounting principles and generally accepted auditing standards, as well as a broad understanding of data processing.

Applicants should be recently qualified accountants, preferably chartered, with a good audit background. They should be enthusiastic, have good communication skills and be conscientious, with complete integrity.

The remuneration package includes an attractive salary, a company car, a non-contributory pension scheme and free private medical cover.

Please write with full CV, including salary details to:– **David Lloyd, SMCL Oil & Gas Ltd, Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP** or telephone: 01-222 7733.

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# Financial Controller
## (Prospective Directorship)

**London W1** **c. £37,000 + Car + Profit Share**

Our client, a diversified PLC with trading interests in Africa and the UK, is looking to recruit a capable, well experienced qualified accountant for the position of Financial Controller/Company Secretary.

The group, whose activities embrace commodity trading, engineering, construction, mining and motor dealerships, has a forecast 1989 turnover of £36m with a gross operating profit in excess of £2m

Reporting to the Group Managing Director, the position will manage the financial, secretarial and computing activities and ensure that effective control systems are implemented to provide a cost effective service to the Directors and operational units of the Group. As part of the senior management team the Financial Controller will be responsible for the reporting requirements of a PLC and group consolidations.

Applicants for the position, ideally graduates, aged 35-45, should be qualified accountants with at least four years appropriate management experience gained, preferably, in a trading/service industry environment. Familiarity with medium sized organisations, the requirements of a PLC and modern computer techniques are essential. Experience of working in Africa is also desirable.

Interested candidates should send e detailed comprehensive curriculum vitae, with salary details and quoting reference 0179 to:-

**Peter Childs, Director**
**Pannell Kerr Forster Associates**
**New Garden House**
**78 Hatton Garden**
**London EC1N 8JA**

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

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# PRINCIPAL INTERNAL AUDITOR
## OECD - PARIS
### 320 820 FF + allowances

The Organisation for Economic Co-operation and Development requires a Principal Internal Auditor to be responsible for assisting the Financial Controller in supervising all financial and budgetary operations of the Organisation and also for evaluating and advising on controls of computerised systems. *Work will be carried out in Paris. Little or no travel is involved.*

Candidates should have:
– Chartered accountant qualification or equivalent university degree or professional experience;
– at least 5 years' experience with a major accounting firm, a large corporation or a bank;
– very good knowledge of computerised accounting and management information systems and experience in using computer-assisted audit techniques;
– thorough understanding and experience of all main aspects of data processing, including computer security and controls in computer systems;
– very good knowledge of English and French.

*An appointment will be offered for an initial period of 3 years.*

Applications from male or female candidates, nationals of OECD Member countries, with detailed curriculum vitae specifying "Auditor" should be sent to: Personnel Division, OECD, 2, *rue André-Pascal*, 75775 Paris Cedex16. Closing date for applications: 30th june 1989.

**ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, PARIS**

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The Automatic Test Equipment Division of Schlumberger Technologies markets standard and customised capital equipment and services to major electronic companies throughout the world. Our base in the UK at which we design and manufacture several of the Divisions product lines, is located 10 miles north of Bournemouth.

Schlumberger Technologies

# Financial Controller
### circa £35-£40k including performance related bonus + car

Reporting to the General Manager, you will be responsible for the financial and management information systems of the unit. In addition, you must have considerable business experience as you will play a significant role as a member of the management team in the achievement of our business strategy.

Aged 32-38, you will be a graduate qualified accountant with at least four years *experience operating in a* management team environment. Ideally, you should have a background in electronics design and manufacture with sound commercial experience in worldwide markets.

Please apply to Campbell Fitch, Personnel Director,

Schlumberger Technologies

ATE Division,
Ferndown Industrial Estate,
Wimborne, Dorset, BH21 7PP.
Tel (0202) 893535

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***EUROPEAN ACCOUNTANT***

***£25,000 + CAR***

***LONDON***

WITH OVER TWO DECADES of dominance in their chosen markets this leading U.K. retail group have shown an ability to innovate and develop their concepts on a worldwide basis. A recent internal promotion has now created the need to appoint a newly/recently qualified accountant with the intellectual and personal qualities to succeed in a fast-paced commercial environment.

The position will entail complete accounting responsibility for an overseas operation and will offer an unusually broad range of tasks. As well as production of financial and management accounts for group the person appointed will be involved along with non-accounting managers in corporate planning and commercial decision making. Occasional overseas travel is viewed as an important contribution to building a team approach.

The role will appeal to s young accountant who will be able to utilise accounting information as a positive business tool. The company concerned has an excellent record for attracting and retaining good people and has a very positive attitude towards accelerated promotion. It would be expected that this role will lead to a senior line position within two years.

Please Contact Neil J. Hinwood, telephone 01-629 8863, fax 01-408 0951 or write to him at the address below.

BOND ACCOUNTANCY
RECRUITMENT CONSULTANTS
BOND HOUSE, 19-20 WOODSTOCK ST, LONDON W1R 1HF Tel: 01-629 8863

# Audit Controller

*London* *c.£40,000 + benefits*

The National Grid Company will have a vital role to play in the future of the UK electricity supply industry following privatisation in 1990. With assets of £5 billion, at replacement value, throughout England and Wales, the provision of in-house audit expertise will be crucial to the management of future growth and commercial success.

Reporting to the Executive Director, Finance and Administration, you will have responsibility for the Company's internal audit activities including the development of policies and review of computerised systems. You will play a key role in advising the Board on matters relating to improvements in the implementation and effectiveness of management control procedures.

As a qualified accountant in your thirties or early forties, you will have acquired relevant management experience in heavy engineering, construction or manufacturing. Personal qualifications will include a well-developed, tactful and diplomatic skill in communication and the reporting of audit matters to senior management.

The attractive remuneration package will include a fully expensed company car, private medical insurance and pension scheme.

Please reply to Stephen Bailey in strict confidence with details of age, career and salary progression, education and qualifications, quoting reference 5262/FT on both envelope and letter.

**Deloitte Haskins+Sells**
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

# Group Finance Director

## A major international insurance group

**c. £120,000 plus substantial financial services' benefits**
**City**

Our client is a major international insurance group based in the City of London with activities across the world.

The position of Group Finance Director is newly created and follows planned reorganisation of the Head Office structure to reflect the Group's evolution.

This premier role calls for an exceptional Chartered Accountant, preferably a graduate, whose rapid career advancement to date has included several years as finance director of a substantial international company. In depth understanding of the City and of UK accounting practices will be essential as will direct experience of corporate finance.

Although a Financial Services sector background would be an advantage, high calibre candidates from other sectors will also be considered.

The competitive remuneration package will include an attractive range of benefits in addition to the high basic salary.

Please write in confidence, stating current salary, to Nigel Bates FCA, reference FT.34048.

**MSL International**

**MSL International (UK) Ltd,**
**32 Aybrook Street, London W1M 3JL.**
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## THE MOST DYNAMIC AND INNOVATIVE FORCE IN THE TRAVEL INDUSTRY
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**ILG TRAVEL** and its sister company **AIR EUROPE**, form the major part of **INTERNATIONAL LEISURE GROUP**, a highly profitable progressive business expanding in one of the fastest growing market sectors in Europe. In tour operating, **ILG TRAVEL** carries nearly three million holidaymakers per year with annual sales in excess of £500m. Market penetration is achieved via strong brand names such as **INTASUN, CLUB 18-30** and **GLOBALAIR**, and these are backed up with latest technology I.T. systems, one of the key areas in maximising financial performance.

They place equal importance on financial analysis and tight financial controls. In order to strengthen these areas they have created a new senior management level.

### CONTROLLER
**PACKAGE NOT LESS THAN £30000**

The Controller will be heavily involved in business decision making, particularly in the areas of pricing,promotional spend and yield management. The focus will be on financial planning and analysis. Key tasks will include:

- Functional responsibility for a high powered team of brand controllers.
- The introduction of standardised reporting procedures.
- Detailed review and monitoring of brand performance.
- The co-ordination and review of the budgeting and forecasting cycle.

The successful candidate will be a graduate, qualified accountant aged around 30 with at least five years commercial experience. You should have a background of strong financial management in a "multibrand" environment within a service industry or F.M.C.G. Career prospects indicate that successful performance will lead to significant opportunities at the highest levels.

### CHIEF FINANCIAL ACCOUNTANT
**PACKAGE NOT LESS THAN £27000**

This senior financial position has the primary aim of imposing stronger internal control on the company. The role will emphasise management ability coupled with a "hands on" approach to problem-solving. Key responsibilities will include:

- The further development of balance sheet reporting and management techniques.
- Increasing the accuracy of multicurrency cash flow forecasting.
- Ongoing systems improvement in liaison with the systems manager.
- Streamlining the production of statutory accounts for group consolidation.

One of the major attractions of the position is the scope it provides for personal initiative. The successful candidate will have at least three years post-qualification experience in financial management with a progressive industrial or commercial concern. The professional self-confidence born of excellent technical skills will see this role expand to provide early promotion opportunities.

Salary packages will include a company car and a variety of other benefits associated with the travel industry.

In order to arrange a comprehensive but informal discussion on all aspects of these very challenging roles, please contact **GERRY PEARSON** on **01-387 8118.**

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# FINANCIAL DIRECTOR
## (DESIGNATE)

**South Herts** **Up to £32k + benefits**

Our client is a young expanding, independent company providing specialist IT technical services to a wide range of prestigious international clients.

The company is facing major strategic opportunities to broaden its base, both into new product/service areas and geographically through overseas subsidiaries or acquisitions. Public flotation is intended within 2-3 years.

A dynamic Financial Director (designate) is required to work closely with the Managing Director in the achievement of these objectives, and to develop financial and management information systems to control and forecast the business. In addition to making a major contribution to the Company's strategic plans, the successful candidate will have hands-on involvement in the day to day running of the financial function.

Ideally, candidates will be aged 29 to 40 and must be qualified accountants, preferably FCA, with several years experience in a senior financial role. Familiarity with computer technology would be an advantage. You will require good interpersonal skills, plus drive and initiative.

This is a demanding role, which offers an excellent opportunity for career development in a growing company, and your commitment will be rewarded with an attractive salary and benefits package, including car, non-contributory pension, health insurance and the opportunity for equity.

**Please send a full C.V. to John Ingamells, Mercuri Urval, Spencer House, 29 Grove Hill Road, Harrow, Middlesex. Tel: 01-863 8466, Fax: 01-861 1978, quoting reference 171/89.**

Mercuri Urval

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# GROUP FINANCE DIRECTOR
## (Designate)

**c.£45,000 + Bonus + Car**

**Central London**

Our Client, a major media organisation, has identified significant market opportunities in the international communications sector. These opportunities are being exploited by the creation, through acquisitions and consolidation of existing businesses, of a new publishing Group.

The Group Finance Director (Designate) will be responsible for the provision of comprehensive financial advice and support to the Group, which comprises four distinct businesses. This will require production of meaningful management information and appraisal of acquisitions and new products. Reporting to the Deputy Group Managing Director, you will initially manage the integration of the existing accounts departments to form a corporate accounts function. Key to the success of this project, is the development of a comprehensive IT system. Advising the Deputy Group Managing Director on all aspects of finance, this highly commercial role will focus on the review of management information and formulation of business strategy. You will find a demanding, fast moving environment where the emphasis is upon the effective management of change.

Candidates, aged 30-38, will be qualified Accountants who are both technically proficient and commercially oriented. They will either be at senior manager level within a 'Big 8' firm of Chartered Accountants or offer Group accounting experience gained at the centre of a major organisation.

Please apply directly to Mark Ehrlich at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone 01-836 3545, or 01-556 3615 (evenings). Alternatively, fax your details on 01-836 4942.

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# BUSINESS AUDIT MANAGER

**Cardiff** **Package c£27,000 plus car**

Chartered Trust is firmly established as one of the country's leading finance houses with a nationwide network of branches. We offer an extensive range of financial services and play a significant role in this competitive market place. We are committed to planned, long-term growth.

This expansion gives increasing importance to the role of the Business Audit Manager at our head office in Cardiff. An ideal and proven training ground for more senior management positions, the internal audit department extends well beyond the traditional role of audit, providing a progressive advisory service for management on all aspects of business operations.

You should be a graduate accountant with at least three years' post qualification experience. Practical computer audit experience is essential. A high level of ambition, drive and enthusiasm, together with exceptional interpersonal and communication skills are required to take full advantage of this excellent career opportunity.

In return, we offer a highly attractive salary and benefits package which includes mortgage subsidy and profit sharing schemes, preferential staff loans, an on-site fitness centre and excellent relocation assistance where appropriate. Our remuneration system both recognises and rewards merit.

Cardiff is an expanding financial services centre with a wide choice of housing and easy access to some of the most beautiful countryside in Britain.

If you are ready to take on this challenge please apply to Peter Symes, Manager, Management Development & Recruitment, Chartered Trust plc., 24-26 Newport Road, Cardiff CF2 1SR. Telephone (0222) 473000 extension 2120.

**Chartered Trust**
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*Young Accountants*
# *International Banking*

***City*** ***£24-28,000 + Mortgage + Overseas Travel***

As the international investment arm of a major UK bank, our client has a central consultancy unit which reports at Group level.

They require two accountants, aged 25-30, to take on key project-based roles. Unconnected to the conventional accounting function, you'll be joining professional, flexible project teams tasked with investigating and promoting change to maximise efficiency and enhance profitability. Naturally, you'll also contribute to reports, presentations and the entire decision-making process.

Investigating both pro-actively and at the request of the departments themselves, your scope will be truly international. You'll spend 25% of your time on short-duration assignments in:

**New York, Rio de Janeiro, Hong Kong and major European financial centres.**

Through projects involving profitability analysis, investment appraisals and resource management reviews, you will gain exposure to:

**Corporate Finance, Corporate Banking, Fund Management, Securities, Treasury, Foreign Exchange and Venture & Development Capital.**

Two opportunities exist, one more senior in context. As a result, you could be either Newly Qualified or up to 2-3 years' post-qualified. In either case, an informed interest in banking is essential.

These positions offer scope for considerable career advancement, including a first line managerial role within 2 years, either in the UK or abroad.

Please contact ANDREW FISHER for further information on 01-404 3155, or write to him at Alderwick Peachell & Partners Ltd., Accountancy and Financial Recruitment, 125 High Holborn, London WC1V 6QA.

**Alderwick Peachell and Partners Ltd**

# Regional Financial Controller

**Peel**

**Yorkshire** **to £25,000 + Car + Benefits**

Our client is a rapidly expanding and highly profitable PLC engaged in property development and investment, principally in the UK.

Recent and planned acquisitions, augmented by further organic growth, will ensure continued increases in both assets and profitability.

As a result of this continued growth, they now seek to recruit a Financial Controller for the North East region, to be based in West Yorkshire. Reporting to the Regional Manager, he will assume full responsibility for all aspects of the finance function, as well as the further development of the management information systems.

As a member of the regional management team the individual must be able to fully participate in the overall commercial management of the company.

Candidates, aged 27-33, should be qualified Accountants who can demonstrate a strong track record of success in a hands-on environment, coupled with the interpersonal skills and business maturity required to make an immediate impact within a dynamic organisation.

A comprehensive benefits package is offered, including share option scheme, and full relocation facilities are available where appropriate. Interested applicants should write to James J. Russell, quoting ref: L8481 and enclosing a detailed Curriculum Vitae, at Michael Page Finance, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX.

**Michael Page Finance**
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# IMRO
## Senior Officer Member Training
**to £30,000 + benefits**

IMRO is the SRO which regulates investment management throughout the UK. As a part of its drive to improve industry practices, IMRO is developing a training programme for its Members, comprising a series of workshops on its Rules and on related compliance issues. A new opportunity has arisen for a high calibre individual to work with the senior manager in the Compliance Department to develop and present the workshops. The job will involve an initial orientation period within the Compliance Department.

Candidates for this position will be graduates, possibly with an accountancy qualification. Excellent communication skills and industry knowledge are essential. Previous involvement in regulation or compliance would be an advantage, as would experience of training.

This is a high profile role and its importance is reflected in the competitive salary package which includes a car and mortgage subsidy.

For further details please contact Karin Clarke on 01-831 2000 or write to her at
Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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# MANAGEMENT CONSULTANCY

**London & Manchester** **£26-35,000 + Car**
**Young Accountants** **Age Range 25-33**

Today's successful professionals require an enormously varied range of skills. Project-based Consultancy with our client offers a superb opportunity to achieve this aim. So why not trade:

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One of the UK's fastest growing Management Consultancies, their client portfolio ranges across the board. They undertake a wide variety of assignments covering: **Corporate Strategy** • **Profit Enhancement** • **Cash and Liquidity Management** • **Financial Systems.** You will work in a highly professional, stimulating environment and from day one will be encouraged to improve your overall understanding of Business.

### For Yours . . .
You will be a high calibre Graduate Accountant (ACA or CIMA) whose background in Commerce or Industry has given you a disciplined approach, strong commercial awareness, excellent communication skills and a flair for the practical solution.

Prospects with our client are outstanding, but even if Management Consultancy is not your ultimate career goal, they guarantee you a breadth of experience which will make your curriculum vitae very impressive.

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For further information write to **Mike Masterson, H.M.A. Recruitment, Chancery House, 53-64 Chancery Lane, London, WC2A 1QS** or telephone him on 01 242 1822. Fax 01 831 6425.

# Deputy Director
## ...value for money specialist
**London** **to £37,000**

Our client is a national organisation, independent of Government, which as part of its brief conducts investigations into the economy, efficiency and effectiveness with which public sector bodies use the resources entrusted to them by Parliament.

There is now an immediate requirement for an experienced qualified accountant to join at Deputy Director level. You will have direct responsibility for the planning and execution of a wide range of investigations plus some certification work through a department of 33 people. You will also make a significant contribution to the strategic direction of the Division.

Candidates will have a strong background in consultancy probably gained in a large firm of accountants or Local Government. Micro-computer experience would be distinctly advantageous. Personal qualities will include first-class organisation, man-management and communication skills.

The appointment will be for two/three years with the possibility of an extension or conversion to permanent employment.

Please write enclosing full details including current salary to Nigel Bates, FCA, ref. FT.34053.

**MSL International (UK) Ltd, 32 Aybrook Street, London W1M 3JL.**
Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

## Ravenswood Foundation
# FINANCE DIRECTOR-DESIGNATE
**North-West London** **c£30,000 pa plus car**

In the last 35 years the Ravenswood Foundation has evolved from the small beginnings of a tiny school in Berkshire, housing 4 mentally handicapped children, to a specialist organisation of international repute, helping thousands of mentally handicapped people. With an annual budget in excess of £6m, Ravenswood is now seeking to recruit a Finance Director-Designate to improve financial efficiency and manage further growth.

The immediate responsibilities of the role will include:

* The effective financial management of Ravenswood's funds.
* The provision of operational analysis to assist management decisions.
* The enhancement of management information systems and controls.

Ravenswood is fully computerised, and it is anticipated that the successful candidate will ensure that these resources are fully utilised, and hence must be computer literate.

A qualified Accountant, the incumbent must also be capable of demonstrating the following:

* A practical and commercial approach to the management of Ravenswood funds.
* Strong management, communications and interpersonal skills (these are crucial as the Finance Director-Designate will be a key member of the senior management team).
* An ability to develop a department and motivate staff.

An attractive starting package is matched by excellent career opportunities.

**Individuals who feel that they can respond to the challenge and the responsibilities of this type of role should write to Karen Wilson BA, ACMA at FMS, 14 Cork Street, London W1X 1PF enclosing a recent CV and a note of current salary.**

*FMS*
**Search and Selection Specialists for Financial Management**

## Evolution Creates Pan European Role
# Finance and Administration Manager
**M4 Corridor** **c£35,000 + F/E Car**

Our client is the European Headquarters of a multibillion dollar turnover, international, fast moving consumer goods group. It consists of several subsidiaries at various stages in development generating a turnover in excess of $600 million.

As a key member of a newly formed european management team we are seeking to appoint a Finance and Adminstration Manager with responsibility for establishing, from a virtually zero base, all european head office adminstration, accounting, planning, reporting and personnel administration. The position will subsequently develop into a wide advisory and coordination role with a considerable 'hands on' involvement in the less well developed subsidiaries, and the creation of a cohesive and constructive finance function.

You will be particularly involved in regular budgetting and profit forecasting, treasury management and DP systems throughout the european group, frequently requiring a very 'hands on', 'shirtsleeves' approach to resolving issues, problems and generating the "numbers". To be effective you will also require considerable maturity, tact and diplomacy.

The successful candidate in addition to the attributes included above will be a qualified accountant, probably a graduate, and is most likely to be aged 33-45. You will have had european group experience, preferably though not neccessarily in fmcg, in an open, informal and participative style of operating. As the role develops, a moderate amount of travel will be neccessary – approx 25%.

Interested applicants are requested to submit their CV including current remuneration data, and telephone numbers to **Wayne Thomas, Executive Division, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berks SL4 6BW.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

# CORPORATE FINANCE DIRECTOR

**A young and rapidly expanding fully listed property development company operating mainly in London and the South East, wishes to engage a highly motivated corporate finance director.**

**The applicant will work closely with the chief executive and will have had at least five years' experience within the sector, having dealt with all matters relating to corporate finance, mergers and acquisitions. He will be responsible for the implementation and co-ordination of a comprehensive financial programme to ensure the continuing expansion of the group and will be able to negotiate with bankers, institutions and investors for capital funding.**

**The remuneration offered will be commensurate with the importance that the board places upon this challenging position.**

**All applications will be treated in strictest confidence and should be addressed to:**

**Mr A Simmonds, Senior Partner, Simmons Cohen Fine & Partners, Chartered Accountants, 27 John Street, London WC1N 2RL.**

# Financial Controller
**London NW10** **c£30,000 + Bonus (£10K+) plus car**

Our Client, the market leader in the field of satellite distribution/manufacturing is a young dynamic and operationally autonomous subsidiary of a major UK conglomerate. With a current market share in excess of 50% the company is well placed to continue its impressive growth in a rapidly expanding industry.

Due to increasing demands placed on the finance function, the management team seeks to appoint an ambitious and highly motivated controller.

Reporting directly to the Managing Director you will be responsible for establishing and maintaining a management accounts and systems function capable of adapting to the requirements of the business. In addition, you will liaise closely with operational managers on an ongoing basis in order to manage the continued growth of the company.

The successful candidate will be a qualified accountant who can demonstrate a record of success in their career to date combined with an ability to provide innovative solutions to organisational problems. With a minimum of three years post qualification experience in a commercial, fast moving environment, prospective candidates must be energetic, committed and able to communicate ideas effectively at board level.

Please write enclosing full career details, quoting ref. 2924 to David Head, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

# Financial Controller
**Telford**
**Up to £25K+ Car**

D.J. Profiles Ltd is a rapidly expanding subsidiary of Lilleshall Plc, manufacturing, marketing, and selling a range of rubber and thermoplastic extrusions from its base in Telford, Shropshire.

Here is an excellent opportunity for an ambitious accountant, ideally chartered, to take responsibility for the complete accounts function.

Reporting to the Managing Director, this extremely varied role draws as much on your skills as a Manager as on your extensive accounting skills.

You'll provide a broad commercial input to our successful management team, as well as motivating and developing your own staff.

In addition, familiarity with computerised accounts and the associated costing systems of a manufacturing environment is essential, with important work to be done on both product costing and improving the existing computer based systems. Day to day responsibility includes both financial and management accounting.

This position offers a highly attractive package, including a company car, bonus, excellent pension scheme and BUPA.

**Send your full C.V. indicating current salary to Elizabeth Brassington, Link Management Selection, 6th Floor, Phoenix House, 1/3 Newhall Street, Birmingham B3 3NH. Telephone: 021-233 2827.**

A Lilleshall GROUP COMPANY

# PA/MANAGER
**c£30,000**

**Our Client, a six Partner firm of Chartered Accountants based in Central London, seek an ACA ideally aged 24-40. The successful candidate will act PA to the Senior Partner and in addition be responsible for a number of junior staff. The prospects at this firm are first class and it is envisaged the successful appointee will reach partner status in the short term.**

Please contact David Paton on 01-580-5522, alternatively write to Executive Search Division, Hynes Associates Ltd, International Business Centre, Wells House 77-79, Wells Street, London, W1.

## Your Opportunity to Influence
# POSITIVE AND SIGNIFICANT CHANGE

**North London** **Package c £28,000 pa**

Established over 100 years ago, our client is a well-known name in its niche sector of the retail trade. This profitable organisation is now investing, perhaps even more heavily than other high street chains, in sophisticated systems development, which it plans will bring it to the forefront.

The company is now ready to move ahead at a fast pace and will need strong leaders to assist it.

In the finance area a business-minded Accountant is sought who will manage the department and in addition will be responsible for the following:

* Monthly management accounts.
* Preparation of the company's Business Plan.
* Developing management reporting systems.
* Recommending and implementing improvements to the running of the department.
* Assisting senior management with various ad hoc projects.

Naturally, you will be mature and credible with strong but diplomatic powers of persuasion. You will also be able to demonstrate strong technical skills and PC modelling expertise. You will be confident and adaptable with a good sense of humour.

**Qualified accountants seeking an exciting and challenging opportunity to be integral to the development of a changing environment should telephone Alexis Heynes on 01-491 3431 (0525 378780 evenings/ weekends). Alternatively, write to her at FMS, 14 Cork Street, London W1X 1PF.**

**F M S**
Search and Selection Specialists
for
Financial Management

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## Dynamic, Entrepreneurial, Commercial, Successful
# Insolvency Partner Designate

**London** **c£35,000 + Profit Share**

Our client is an established, expanding and forward thinking national practice with a philosophy of success through excellence. It is a young and dynamic firm which encourages a "hands on" approach to the solution of their clients' problems as well as the achievement of their objectives.

There is currently a requirement for a commercially minded and entrepreneurial self starter to manage the insolvency practice in the South East and take full responsibility for its development in the future. Ambition and ability are prerequisites to succeed in this meritocracy which recognises and rewards initiative and achievement. Progress to partnership will be limited only by the individual's desire and commitment to excellence.

The successful candidate will be a Chartered Accountant with at least three years insolvency experience.

If you believe you have the qualities required please write with a full curriculum vitae to Kristin White ACA, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH, or contact her on 01-831 2000.

**Michael Page Finance**
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

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# INTERNATIONAL FINANCE MANAGER

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FINANCIAL TIMES
# COMPANIES & MARKETS
Thursday June 1 1989



INSIDE

## Change of tune in the advertising world

After three years as general manager of the New York Metropolitan Opera, Mr Bruce Crawford, president and chief executive of Omnicom, is back in advertising and calling the tune in the bidding for Bosse Massimi Pollitt, the UK advertising agency. With its promise of a more harmonious future partnership for the agency after the discord of the hostile offer from Paris-based Boulet Dru Dupuy Petit, this is a welcome sound to Mr Martin Bosse, BMP's chairman (above). Philip Rawstorne reports. Page 31

## Mixed feelings over tin

Today's re-start of tin trading on the London Metal Exchange after a break of three and a half years has been warmly welcomed by traders and analysts. But some consumers are less enthusiastic, fearing that a relatively small amount of business might force prices higher. Kenneth Gooding reports. Page 32

## Top of the pops

Turnover in the 20 most popular foreign stocks traded in London has jumped by an average of 40 per cent in the first four months of this year compared with the last four months of 1988. Royal Dutch, Siemens, Deutsche Bank and LVMH feature frequently among the top shares, while Japanese stocks have lost favour, Hilary de Boerr reports. Page 44

## New role for Grantham

Grantham may have become well-known for producing prime ministers, but it is not renowned for its corporate raiders. However, a Grantham-based and Swedish-run company called Epicure is in the middle of a hostile £8m ($12.7m) bid for Habit Precision Engineering, a diamond tooling and engineering group which is recovering from a costly diversification. Philip Coggan reports on the situation on the eve of the bid's first closing date. Page 26

## In the lap of luxury

Pre-tax profits of Dunhill Holdings, the luxury consumer products group in which Rothmans International holds 55.38 per cent of the shares, increased from £35.22m ($56m) to £45.5m in the year to the end of March. All three operating units, which bear the brand names Alfred Dunhill, Montblanc and Chloe, contributed to the strong performance of the group, where smoking-related products now account for only about 3 per cent of profits. Clare Pearson reports. Page 28

### Market Statistics



### Companies in this section



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| FRANKFURT (DM) | | | | [illegible] | 580 | + | 24 |
| Rises | | | | [illegible] | 205.5 | + | 7.2 |
| [illegible] | [illegible] | + | [illegible] | Falls | | | |
| [illegible] | [illegible] | + | [illegible] | [illegible] | 1118.5 | − | 7 |
| [illegible] | [illegible] | + | [illegible] | [illegible] | 1266 | − | 37.5 |
| Falls | | | | [illegible] | 612 | − | 17.5 |
| [illegible] | [illegible] | − | 7.1 | TOKYO (Yen) | | | |
| NEW YORK ($) | | | | Rises | | | |
| Rises | | | | [illegible] | 2430 | + | 400 |
| [illegible] | [illegible] | + | [illegible] | [illegible] | 380 | + | 100 |
| [illegible] | [illegible] | + | [illegible] | [illegible] | 2270 | + | 300 |
| [illegible] | [illegible] | + | [illegible] | Falls | | | |
| Falls | | | | [illegible] | 1580 | − | 110 |
| [illegible] | [illegible] | − | [illegible] | [illegible] | 1030 | − | 50 |
| [illegible] | [illegible] | − | [illegible] | [illegible] | 1210 | − | 70 |
| PARIS (FFr) | | | | | | | |
| [illegible] | 1379 | + | 101 | | | | |

New York prices at 12.30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| LONDON (Pence) | | | | [illegible] | 308 | − | 10 |
| Rises | | | | [illegible] | 585 | − | 10 |
| [illegible] | [illegible] | + | [illegible] | [illegible] | 434 | − | 13 |
| [illegible] | [illegible] | + | [illegible] | [illegible] | 162½ | − | 6 |
| [illegible] | [illegible] | + | [illegible] | [illegible] | 231 | − | 8 |
| Falls | | | | [illegible] | 1111 | − | 28 |
| [illegible] | [illegible] | − | [illegible] | [illegible] | 360 | − | 7 |
| [illegible] | [illegible] | − | [illegible] | [illegible] | 144 | − | 5 |
| [illegible] | [illegible] | − | [illegible] | [illegible] | 518 | − | 8 |
| [illegible] | [illegible] | − | [illegible] | [illegible] | 166 | − | 5 |
| [illegible] | [illegible] | − | [illegible] | [illegible] | 324 | − | 6 |
| [illegible] | [illegible] | − | [illegible] | [illegible] | 285 | − | 7 |

# Saab prepares rationalisation plans

By Kevin Done in London

SAAB-SCANIA, the Swedish motor, aerospace and arms company, is preparing a package of rationalisation measures to stem mounting losses in its car division.

The first steps, aimed at achieving a drastic reduction in costs, are expected to be announced in the next two weeks, following a number of intensive sessions with Indevo, the Swedish management consultants, and a shake-up of top management within the group's car division.

At the same time the company is continuing negotiations with rival car makers in the search for a co-operative venture that can help it increase production volumes.

It is believed that the most active discussions are being held with Ford of the US and Mazda, Ford's Japanese associate which announced earlier this year that it was seeking a production joint venture in West Europe.

Saab, one of the smallest European car makers, is due to announce interim financial results for the first four months on June 14. These are expected to fully reflect the car operations' mounting losses.

Profits of its car division, after allocations and tax, slumped to SKr11m ($1.63m) last year from SKr720m in 1987 and SKr941m in 1986. The operations have plunged deep into loss this year. According to Affärsvarlden, the Swedish business magazine, Saab car division losses could reach SKr1bn for 1989.

Saab car production fell last year by 10 per cent to 120,560 from the 1987 peak of 134,112.

Sales in the US declined to 38,000 last year from 44,400 in 1987. In the first four months of 1989 US sales were down by 15.8 per cent.

Mr Georg Karnsund, Saab-Scania chief executive, told shareholders in Sweden last month that the Saab car division had "insufficient volumes and the costs per produced unit were excessive."

He said that costs had to be reduced and warned that Saab car division earnings had deteriorated in the first quarter and would "deteriorate further" during 1989.

In common with other specialist European car makers, Saab's profitability has come under heavy pressure both from falling sales in the US, by far its most important single market, and from the earlier weakness of the US dollar.

Falling production volumes are exacerbating the high costs of its Swedish production base at a time when the company is caught in the final stages of an ambitious capital investment programme and faces sharply mounting model development costs over the next couple of years for a new car to replace its ageing 900 range.

Later this year it is scheduled to bring its new Malmö car plant into production, which could increase available capacity to around 180,000 cars a year in the 1990s.

It is also starting production of its re-equipped car engine plant at Södertälje.

# BMW starts year at hot pace

By Haig Simonian in Munich

BMW, the West German car manufacturer, yesterday announced an upbeat progress report for the first four months of 1989, with both production and sales expanding by more than a fifth.

At the same time the company, best known for its up-market, high-performance saloon cars, set aside years of tradition and gave an insight into group profits worldwide.

In a brief resumé of consolidated results, which will only be published in full from 1989 – one year ahead of the European Community's deadline for full reporting – BMW said group net profits topped DM450m ($224m) last year, while pre-tax earnings exceeded DM1.2bn. Worldwide turnover was DM24.5bn on sales of 496,000 units. Until now BMW has only disclosed parent company results. For 1988 these were DM375m and the company is paying an unchanged DM12.50 a share dividend.

The results for the first four months of 1989 reflect the current success of BMW's new 5 and 7 series models, as well as continuing strong demand for its older 3 series vehicles. The range will be further extended this year with a new sports coupe as well as a new four-cylinder engine for the 3 series.

Production in the four months jumped by 23 per cent to 181,000 units, raising group turnover by 22 per cent to just under DM9bn, said Mr Eberhard von Kuenheim, BMW's chief executive.

But he warned against assuming that such growth rates would be sustained all year, as part of the leap had come from more production days and lower stocks. Moreover, BMW wanted to settle to a more manageable growth rate after a period of soaring increases, he said.

Nevertheless, worldwide registrations accelerated by 21 per cent to 188,000 unit in the first four months. Even in the highly competitive US luxury car market, BMW registrations rose by 2 per cent to 23,376.

The company's foreign profitability is hard to judge, owing to the lack of comparative figures. UK earnings surged to almost DM107m last year, while profits in Japan reached DM49m. By contrast, US earnings fell to DM7.1m as a result of the 16 per cent fall in sales to 73,400 units and the relative strength of the D-mark last year.

Mr von Kuenheim emphasised, however, that BMW was trading profitably in the US at present, with sales boosted by the American launch of the new 5 series last October.

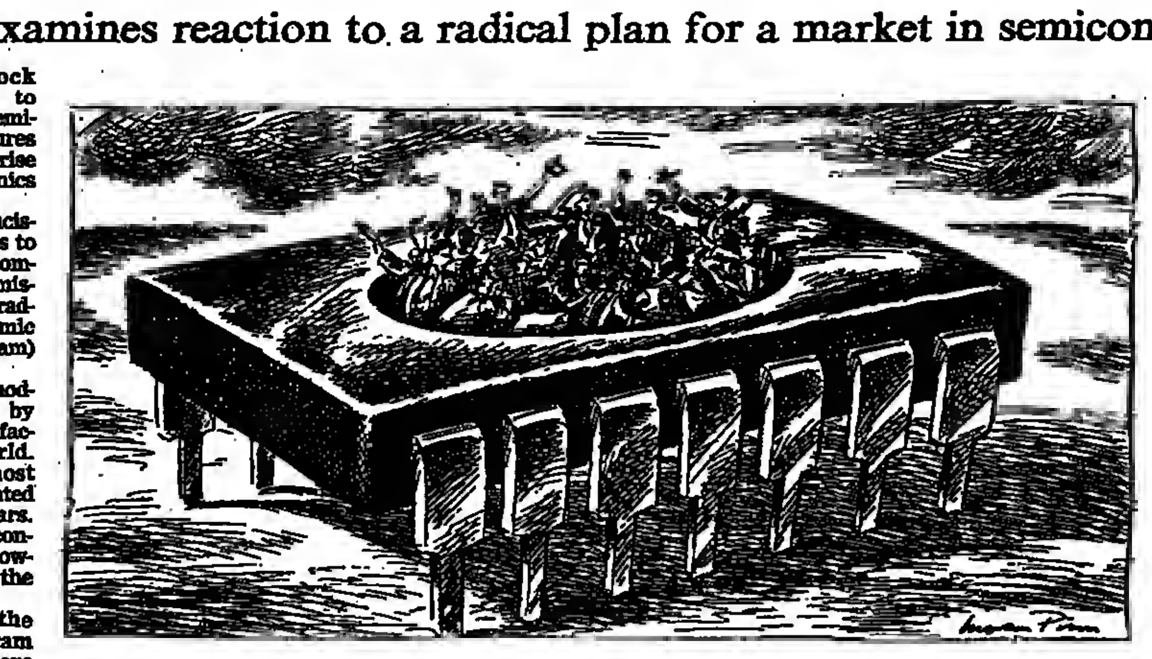
# Where the fog hangs thick in San Francisco

## Louise Kehoe examines reaction to a radical plan for a market in semiconductor futures

THE PACIFIC Stock Exchange's proposal to create a market in semiconductor memory chip futures contracts has met with surprise and scepticism in the electronics industry.

On Monday, the San Francisco-based PSE said that it plans to file an application with the Commodity Futures Trading Commission for permission to begin trading futures contracts on Dynamic Random Access Memory (Dram) chips early next year.

Often described as "commodity" chips, these devices sell by the million to computer manufacturers throughout the world. Sales last year totalled almost $6bn and prices have fluctuated dramatically over recent years. The idea of trading futures contracts on such devices is, however, a radical departure in the electronics industry.



Questions surrounding the potential impact on the Dram market of futures trading are complicated by the fact that Drams are at the centre of a major trade row between the US, which consumes more Drams than any other nation, and Japan, which is by far the world's largest producer of Drams.

Anything that disrupts the Dram market is bound to have an impact upon already fragile US Japanese trade relations, bringing the potential advantages of futures trading into question.

"We do not favour the idea," said a spokesman for Texas Instruments, the largest US merchant producer of Drams. "If the intent is to reduce volatility in the Dram market, we prefer other approaches."

In efforts to ensure adequate supplies of Drams for the US computer industry Texas Instruments and other chip makers have been forming closer relationships with their customers in recent months and sharing demand and supply forecasts.

Texas Instruments said that it had not been contacted by the exchange or by Memory Clearing Corporation, the group that aims to set up a trade clearing house for Dram contracts. Similarly, industry trade groups said they had not been given notice of the PSE proposal.

Fundamental differences between Drams and the agricultural, mineral and financial products upon which most futures trading is based make it difficult to envisage how a Drams futures market might develop, industry analysts said.

"Drams have a very short product life cycle, of just three or four years," pointed out Mr Mel Thomsen, a senior Dataquest analyst. Predicting when a new generation of Drams will become available is difficult, he noted.

Drams cannot truly be described as commodities, Mr Thomsen added. Although often viewed as a monolithic market, in fact Drams come in an increasing variety of configurations with varying speeds. "There are so many variations that it might be difficult to build a market in all of them," he said.

Another difficulty is that whereas the future price of most commodities is determined by outside forces – such as weather in the case of agricultural products – Dram pricing is a business decision driven by a producer's desire to expand or shrink market share, said Mr Thomsen.

"None the less, the PSE proposal is an innovative idea that deserves due consideration," the Dataquest analyst stressed. Industry executives said, however, that the idea of trading Drams contracts runs contrary to important industry trends.

Dram producers and users are working closely to try to avoid the kind of volatility that has characterised the Dram market in recent years.

US semiconductor and electronics industry trade groups recently announced plans for a Dram manufacturing consortium to be financed in part by Dram purchasers. The consortium would pre-assign its products to its backers in proportion to their investments. Dram producers, such as Micron Technology and Texas Instruments, have also recently started discussing advanced payments for Drams from large customers that will enable the chip makers to expand production of Drams in return for guaranteeing supplies.

Texas Instruments also expressed concern about whether futures trading might lower Dram prices below the real cost of production at times when supply exceeds demand.

Currently prices of Drams imported from Japan, which represent over 80 per cent of all Drams sold in the US, are regulated by the US Commerce Department which calculates a "fair market value" for Japanese Drams based upon the cost of production.

The system has effectively ended alleged Japanese "dumping" in the US, providing an important incentive for US companies to invest in expanding Dram production. This goal has been encouraged by the US government and by major US computer companies which are concerned about their dependency upon foreign producers, many of which are also their major competitors.

Anything that might create uncertainties about future Dram pricing would reduce the incentives for investment, industry officials said. They expressed concern that, by creating a secondary market in Dram contracts, foreign Dram producers might find a way around the government price controls.

US computer manufacturers which buy large quantities of Drams were, however, reluctant to comment on the PSE proposal, preferring to take a "wait-and-see" attitude. According to proponents of the idea, computer makers stand to gain a new "hedging tool" that would enable them to reduce the risks involved in Dram purchasing when prices decline.

But Sun Microsystems, a leading computer workstation manufacturer, said it does not expect large Dram purchasers to become involved in futures trading, surmising that the approach might be more useful to smaller companies by giving them more leverage on chip purchases.

The PSE said it will discuss its plans in greater depth next week. It has nevertheless already spawned broad debate and apparently drawn competition from the Twin Cities Board of Trade, in Minneapolis St Paul, which said that it too plans to submit a proposal to the Commodity Futures Trading Commission for Drams futures trading.

# Maxwell links MGN and printer

By Raymond Snoddy in London

MR ROBERT Maxwell yesterday accelerated his move out of printing by announcing that his quoted company, Maxwell Communication Corporation, was selling its newspaper printing subsidiary to Mirror Group Newspapers, a private Maxwell company.

The deal values the British Newspaper Printing Corporation, which prints all MGN titles on modern colour presses, at £270.3m ($429.8m).

The re-uniting of MGN with its printing capacity – the ownership of the two was separated three years ago largely for industrial relations reasons – presages a Stock Exchange flotation for Mirror Group Newspapers, which could come later this year.

Mr Maxwell, chairman of Maxwell Communication Corporation, also confirmed yesterday that he plans to sell his US commercial printing operations – the second largest in the US – before the end the year and that negotiations are already under way with potential purchasers.

Mr Maxwell says that when the disposals are complete he will have converted what was an 80 per cent printing and 20 per cent publishing company into a 100 per cent publishing group by the end of next March.

He has also sold printer BPCC to its management for £265m. The move out of printing has been designed to pay for last November's off-balance sheet acquisitions of both Macmillan, the US publishers, and Dun and Bradstreet's Official Airline Guides for a total of $3.35bn.

MCC said the completion of the BNPC sale brought the total of disposals to $2bn, with a further $1.2bn planned.

MCC will take 25 per cent of the purchase price of British Newspaper Printing Corporation in redeemable convertible unsecured Mirror Group loan stock.

If Mirror Group shares are listed before the end of 1990 the loan stock can be redeemed at par, with interest up to redemption at an annual rate of 15.5 per cent. If this does not happen, MCC can convert the loan stock into 10 per cent of the share capital of Mirror Group during the period from the date of listing up to the third anniversary of the completion of the deal.

MGN described itself yesterday as the "natural purchaser" of the printer of its national newspaper. It is understood no-one else offered to buy the business, which had a pre-tax profit of £18.4m on revenues of £96.8m in the year to December.

Mr Derek Terrington, publishing analyst of stockbrokers Phillips & Drew, said the pricing of the deal was "essentially very flattering to MCC shareholders."

Maxwell Foundation, a Liechtenstein foundation, controls 30.1 per cent of MCC and all the voting shares of Mirror Group Newspapers.

Lex, Page 20

# FRN issue approved by Bank

By Stephen Fidler, Euromarkets Correspondent, in London

THE BANK of England has given the go-ahead to a controversial $400m issue of floating rate notes by the Royal Bank of Scotland to supplement capital, but has closed the door on further issues after consultations with bank regulators from other countries.

The notes were aimed at supplementing the bank's "upper case tier 2 capital", which ranks just below the high-powered tier 1 capital. The Bank of England originally gave the go-ahead for this to be counted as upper case tier 2, then withdrew consent in April after consultations with fellow central bank regulators in Basle. Most banks have raised as much lower ranking tier 2 capital as they need.

The idea was that the Royal Bank would issue perpetual securities to meet the definition of tier 2.1, but that a vehicle company would stand ready to buy the securities back from investors after 15 years.

Investors have shunned perpetual notes since a market debacle more than two years ago, making it hard for banks to raise upper case tier 2 capital, but this issue addressed their concerns by assuring them of an eventual market for their securities.

However, after a debate in Basle, bank regulators have decided "that no issue of perpetual subordinated debt made in association with repackaging arrangements" will qualify as upper case tier 2 capital.

Central banks have apparently decided that they do not wish to get involved in monthly discussions on whether specific issues of repackaged securities would or would not be eligible for upper case tier 2.

The confusion over the issue is one of a number of disagreements among the regulators about how to apply a wide-ranging international agreement on banks' capital adequacy.

The Basle rules, which will go fully into effect in the UK next month, are the result of years of consultations. Although not highly significant in an international sense, some bankers say the Royal Bank episode raises questions over what other gaps need to be filled in the definitions.

Tier 1 capital consists solely of paid-up share capital and disclosed reserves, while upper case tier 2 capital cannot exceed 50 per cent of high-powered capital.

Lex, Page 20

# Brierley unhappy over Budgens bid

By Nikki Tait in London

IEP Securities, the investment vehicle for New Zealand businessman Sir Ron Brierley, yesterday expressed considerable unhappiness over the situation which has developed at UK supermarket group Budgens.

It said that it had made submissions to both the Takeover Panel, the UK watchdog on bids and deals, and the Stock Exchange, and that it was also consulting legal counsel.

Budgens was subject to a recommended bid – then worth around £136m – from William Low, another medium-sized food retailer, in late-April.

However, the deal was effectively aborted in mid-May when Low, with the backing of S.G. Warburg, its adviser, said that it could not recommend the deal to its own shareholders.

Their approval for the deal would have been needed.

No explanation was given for this decision, beyond a vague statement that "differences in expectations about the financing for the combined group" had become apparent.

The Takeover Panel, Britain's watchdog on bid activity, has since begun an inquiry into the unusual events.

IEP, which has held over 10 per cent of Low for some time, built up a holding of well over 7 per cent in Budgens in the wake of the Low bid and before the deal was aborted.

Since then, the Budgens share price has slumped from a price of 146p – at which its shares were suspended ahead of Low's withdrawal announcement – to around 110p yesterday.

"We are looking at our various remedies," commented Mr Stuart Mitchell, IEP's UK chief executive yesterday.

IEP argues that until further details are revealed giving the reasons why the deal broke down there is effectively a false market in Budgens shares. Both parties involved in the transactions and their advisers are unwilling to elaborate on the official statement while the panel investigates.

Yesterday, the panel indicated that submissions had come in but that it was unlikely to draw conclusions this week or that matters would be resolved next week.

Despite the reluctance to elaborate on the reasons for the breakdown, the feeling seems to be that it was not one clearly-defined, specific "discovery" which lead to the withdrawal – rather a more general picture of the situation.

# Fokker chooses Kuilman as chairman

By Laura Raun in Amsterdam

IN A surprise announcement yesterday Mr Martin Kuilman, chairman of Fokker's supervisory board, was nominated chairman of the Dutch aerospace company's board of management.

It is rare for a chairman of the supervisory board, which guides overall corporate policy, to take over as chairman of the management board, which daily steers a company.

The nomination follows considerable management turmoil since Fokker was bailed out by the Dutch Government at the end of 1987 and apparently reflects a serious power struggle. Mr Kuilman, who is 63 years old, became supervisory board chairman last year after retiring as vice president and vice chairman of the management board of Philips, the Dutch electronics giant.

In another unusual twist Mr Kuilman succeeds Mr Frans Swarttouw, who moves to the supervisory board after resigning as chairman on June 1.

# Strong first quarter sets Veba on path to record

By David Marsh in Bonn

VEBA, the acquisitive West German energy and chemicals group, expects further record results this year after a buoyant start to 1989 marked by a 22 per cent increase in first-quarter after-tax profits to DM235m ($112m).

Mr Klaus Piltz, the finance director, said the performance after the first five months was in line with the January-March period, in which turnover rose 12.1 per cent to DM11.8bn.

Mr Rudolf von Bennigsen-Foerder, the chairman, said all of Veba's four main sectors – oil, electricity, chemicals and trading - increased profits. The improvement was especially marked in the oil sector as a result of good petrochemicals demand and higher margins in crude oil.

Group turnover last year rose to DM44.4bn from DM40.5bn. The group raised its dividend to DM11 a share from DM10 on net profit of DM1.19bn.

Mr von Bennigsen said chemicals activities in 1989 were benefiting from the operations of Dynamit Nobel taken over in 1988.

Veba is raising capital later this month through a one-for-10 rights issue to raise about DM1bn. This was announced last month at the same time as the deal under which Veba is acquiring 46 per cent of the Feldmuehle Nobel industrial group at a price of DM1.3bn.

Mr von Bennigsen reaffirmed that Veba has no plans for the moment fully to consolidate the Feldmuehle group by making an offer to remaining shareholders. Veba for some time has been seeking a large acquisition to add a "fifth leg" to the company.

With liquidity boosted by heavy depreciation flows from its power station assets, the chairman made clear that the Feldmuehle takeover has by no means dampened Veba's ardour to add further companies to the Veba group at home and abroad.

# VME moves headquarters to Brussels

By Nick Garnett in London

VME, the construction machinery maker owned jointly by Volvo of Sweden and Clark Equipment of the US has moved its international headquarters to Brussels.

The company, formed in 1985, said yesterday that as a trans-national group it decided that it needed its headquarters to be out of Sweden and the US.

Brussels was a convenient centre with good communications. VME also wanted to have a marked presence in the European Community and the prospect of fewer internal trade barriers after 1992 was an important but not the determining factor, the company added.

VME will initially have a staff of about 15 in Brussels. Much of the administration will remain in Eskilstuna, about 120 km west of Stockholm where the headquarters were located.

Since the company was formed out of Volvo's construction equipment business and most of the heavy machinery interests of Clark, it has struggled to make financial headway.

However, the group has just announced an improved performance for the year from January, 1988.

Pre-tax profit was up at $31.4m from $11m year on total sales of $1.086n against $945m. Operating profit increased from $30.5m to $59.3m.

# Andersen in software move

By Alan Cane

ANDERSEN Consulting, tha management consultancy arm of Arthur Andersen, the international accounting group, has paid $1.4m for Computer Management, a six-year old Norwegian computer software company.

The deal secures for the consultancy exclusive rights to a suite of innovative computer software developed by the Norwegian company which Andersen sees as crucial to its efforts to build up its facilities management business.

Facilities management is a small but fast growing area of the computing services business as companies begin to question whether managing complex and expensive computer systems is a core business activity or one they can safely hiva off to a service organisation.

The special software developed by Computer Management enables Andersan to "tune" a customer's system to give maximum performance at the optimum time. Andersen has coined a new expression "computer operations support engineering (Cose)" to describe the software which is as yet unnamed. Mr David Andrews, the partner heading Andersen Consulting's facilities management group, said it would help to solve the problem of effective management of complex computer operations and attack an untapped £30m ($47m) market.

The software operates only ou large IBM mainframes. Andersen intends to develop it, eventually for sale to its customers. The price will start at about £50,000.

# Depreciation depresses Hapag-Lloyd earnings

By Andrew Fisher in Frankfurt

*HAPAG-LLOYD*, the West German shipping, airline, and travel group, reports sharply lowsr earnings for 1988, but says the decline was due to heavy depreciation aimed at saving tax and not to a drop in business.

This year, however, the group expects reduced freight and tourism profits, though ship and aircraft sales will produce further gains.

Turnover rose by 4 per cent to DM3.4bn ($1.69bn) last year and operating profit and other lucome by 70 per cent to DM551m; this included DM99m from aircraft sales. With depreciation more than doubled to DM438m, pre-tax profit was down by 10 per cent to DM113m and net profit by 42 per cent at DM41m.

Explaining the depreciation charge, Mr Bernd Wrede, the deputy chairman, said this included DM213m done specially for tax purposes. Under German law, extra depreciation is allowed over five years on container ships and aircraft. The company invested heavily last year, DM850m against DM374m in 1987, and intends to spend a further DM2bn up to 1992.

Mr Hans Jakob Kruse, the chairman, said operating results this year would not match those of last year, but gains from ship and aircraft sales would lead to a "satisfactory result."

# Nat-Ned profit jumps by 36%

By Our Financial Staff

INCREASED first-quarter revenua and profits were announced yesterday hy Nationale-Nederlanden, the largest Dutch insurance group.

Net profits jumped by 36 per cent to Fl 155.5m 68.6m) following an increase of 26 per cent to Fl 6.48bn in total revenues for the period.

Tba company, which receives 50 per cent of its revenues from outside the Netherlands, said the improved performance reflected organic growth, acquisitions and currency factors.

Nat-Ned confirmed that good progress would be made for 1989 as a whole. Last year Nat-Ned turned in net profits of Fl 787m on revenues of Fl 20.1bn.

# Baloise seeks SFr175m by rights issue

By John Wicks in Zurich

BALOISE, the Swiss insurance group, is to raise up to SFr175m ($100m) by a one-for-four rights issue and create additional voting and non-voting shares without drawing rights.

Group earnings rose by 14 per cent to SFr36.9m in the year ended April, and the dividend is going up from SFr20 a share to SFr22. Gross premiums increased by 13 per cent to SFr4.06bn.

Most of the proceeds of the rights issue – to be priced at SFr1,000 – will be used to finance the recent takeover of Providence Washington, the US insurance group.

Baloise also plans to scrap limitations on share registrations introduced last year to ward off unfriendly takeovers. But there are no plans to open the stock ledger to foreigners.

# Mannesmann orders up 25%

By David Goodhart in Düsseldorf

MANNESMANN, the West German diversified steel and engineering concern, reports a 25 per cent increase in new orders for the first quarter of this year.

At Demag, the plant construction and capital goods subsidiary, the order increase was over 60 per cent, and at Rexroth, the hydraulics group, up more than 38 per cent.

Mr Werner Dieter, chief executive, also provided more detail of the strong 1988 performance which saw net profits more than doubled to DM292m ($145.8m) and sales up 22 per cent to DM20.4bn.

All divisions, except computer group Kienzle, increased profits and all, except Demag, increased sales. Operating profit more than quadrupled to DM891m and the DVSA earnings per share were three times higher at DM18.

The three groups recovering from loss in 1987 were: steel tubes with a DM380m operating profit following loss of DM160m; trade, DM80m (DM40m); and Brazil, DM50m (DM20m).

Mr Dieter said the company was continuing to look for acquisitions in the US. But he also warned that favourable conditions in the steel sector would not last forever with many less developed countries rapidly increasing capacity.

# Exchange rate factors give Allianz a boost

By Haig Simonian in Frankfurt

PREMIUM INCOME at Allianz, the leading West German insurance group, rose by 13 per cent to DM29.2bn ($14.7bn) last year, boosted by beneficial exchange rate factors.

Adjusted to eliminate the favourable currency movements, premiums would have risen by over 11 per cent. Combined with a better domestic underwriting performance and higher investment earnings, the increases will result in a "clearly higher" pre-tax profit for 1988, said the group.

However, higher tax rates meant that net results for the ultimate holding company would be "of around the same order" as the DM75.2m earned in 1987.

Foreign premium income again showed strong growth, with a 22.2 per cent rise to DM11.5bn, pushing the foreign share of Allianz's total premiums to over 39.4 per cent from 36.4 per cent in 1987. Domestic premiums rose by 7.7 per cent, with life insurance an important element in both the domestic and foreign increases.

Allianz's domestic premium income should rise by some 5 per cent this year, while foreign income should go up by about 8 per cent, it said. But the outlook for profits in 1989 remains uncertain.

# Trelleborg 63% ahead at four months

By David Bartel in Stockholm

TRELLEBORG, tha Swedish industrial group with interests in mining, metals, plastics, rubber and chemicals, announced a 63 per ceut increase in profits (after financial items) for the first four months of 1989.

Profits rose from a corresponding SKr640m to SKr1.04bn ($154m). Consequently the company revised its profits forecast for the full year upwards from SKr2.4bn to SKr2.5bn – 25 per cent more than the 1988 profit.

Turnover climbed by 32 per cent to SKr8.7bn.

# INTERNATIONAL COMPANIES AND FINANCE

## Australian building products group sees further profits rise

By Chris Sherwell in Sydney

CSR, THE Australian building products and sugar group, expects a further profit rise this year following improvements across all sectors which pushed annual net profit to a record A$305.8m (US$228.3m), up 65 per cent.

Figures for the 12 months to March, released yesterday, showed trading revenues up 29 per cent at A$3.44bn, earnings per share 55 per cent higher at 44 cents, and return on shareholders funds rising to 13.7 per cent from 9.1 per cent.

"We regard it as an extremely good result," said Mr Gene Herbert, deputy managing director. "We expect to improve in the current year, despite the expected downturn in the building industry in the second half."

CSR, Australia's 11th largest company in terms of market capitalisation, has divested itself of most of its coal, oil, gas and minerals assets, with the exception of its competitive and profitable alumina interests.

In the past two years it has invested more than A$2.5bn in building materials and timber products, and these have earned an average return of 17.3 per cent over the past five years, compared with 4.6 per cent for the group's resource investments in the five years to 1987.

Building and construction materials, which now comprise 64 per cent of the group's assets, generated A$167m in operating profit, up 110 per cent. Another A$67.5m came from sugar milling and refining, up 52 per cent.

The biggest improvement was shown by timber products, where profits more than quadrupled to A$46.5m. Aluminium operations contributed A$45m, up 80 per cent.

Gearing was reduced to 18.9 per cent from 27.9 per cent. The group declared a final dividend of 18 cents, making a total of 32 cents (fully franked for tax purposes). The previous year's dividend was 20 cents.

Mr Herbert said that the group would invest A$600m this year, compared with last year's A$1.5bn, which was spent mostly on acquisitions of building materials businesses such as Rinker in the US and various concrete and brick operations.

He said that the primary focus, given CSR's large market share in most Australian building product sectors, was overseas markets. CSR was concentrating on three sectors abroad: plasterboard – its new plant shared with Redland is due to open this year – quarrying and concrete in the US and Europe, and timber products in the north-west of the US.

On the 10 per cent shareholding in the group held by Fletcher Challenge, New Zealand's largest company, Mr Herbert said that, although the relationship between the two was very close, CSR was "not quite sure why they have it."

Among the extraordinary items in its accounts, the group included a A$35m provision for asbestos claims and another A$10.5m for legal costs in relation to its asbestos operations in the 1950s and 1960s. It also included a A$79m loss resulting from a "reassessment of the value of intangibles acquired" during its restructuring and a A$40m provision for "product liability."

## Resumed tax payments hit Times Media net

By Jim Jones in Johannesburg

RESUMED TAX payments led to lower net earnings for Times Media, the South African newspaper publisher, in the year to March despite a rise in turnover and pre-tax profits.

Sales rose to R181m ($65m) from R154m, while profit increased to R37.8m before tax compared with R26.8m. Tax requirements resulted in net earnings of R12.45 a share against R13.35, but the year's dividend has been lifted to R4.50 from R3.

Mr Stephen Mulholland, managing director, expects the tax rate to be higher this year as previous tax losses have been absorbed. He also expects competition to intensify as economic growth slows – but pre-tax profits and dividends were forecast to increase.

The company has strong cash balances and is negotiating the acquisition of a local publishing firm.

Times Media is controlled by mining group Anglo American.







JAPANESE COMPANY RESULTS

## Heavy industrials fight to diversify

By Ian Rodger in Tokyo

JAPAN'S LEADING heavy industrial groups have reported mixed results for the year to March, reflecting their struggles to diversify from shipbuilding and heavy engineering into more profitable businesses.

**Mitsubishi Heavy Industries** reported unchanged sales of Y1,711.8bn ($11.96bn), the net result of a 25.7 per cent decline in sales of ships and steel structures, a 6.7 per cent drop in aircraft and special vehicle sales, an 18 per cent increase in machinery sales and an 11.5 per cent rise in sales of components and air conditioning and refrigeration systems.

Exports rose 6.4 per cent to Y371.2bn. Pre-tax profit – Y87.1bn – was down 13.8 per cent, but the company is forecasting a rise of a third this year to Y115bn.

**Kawasaki Heavy Industries** said that its sales increased by 32 per cent to Y767bn, returning it to pre-tax profits of Y13.8bn against a loss of Y6.8bn the previous year. Strong performances from the machinery, steel structures, aircraft and consumer products sectors allowed it to offset weak results in the shipbuilding division. The export ratio dropped from 30 per cent to 25.7 per cent.

The company expects pre-tax profits this year to rise 9 per cent to Y15bn, and it is likely to resume dividend payments at Y3 to Y4 per share.

*Sales at Ishikawajima-Harima Heavy Industries* dropped 14 per cent to Y615.5bn, reflecting the group's large-scale rationalisation of its shipbuilding activities. However, pre-tax profits nearly quadrupled to Y12.9bn from Y3.5bn thanks to loss elimination. The company expects profits in the current year to increase by a modest 8 per cent to Y14bn.

**Sumitomo Heavy Industries** said that its return to profit for the first time in three years was attributable to profits in its general machinery division. Although the shipbuilding division remained in loss, overall profits were Y2.4bn before tax, against a loss of Y1.4bn the year before, and are forecast to reach Y3.5bn this year.

Sales at **Mitsui Engineering & Shipbuilding** fell 2 per cent to Y177.1bn, but improved plant construction and shipbuilding activity allowed the company to return to profit – Y11bn – from a Y1.3bn loss. However, the company expects a fall this year to profit of Y2bn. Sales are expected to gain 12 per cent.

**Hitachi Zosen** reduced its losses from Y44.5bn to Y17.1bn on sales down 12 per cent to Y227.3bn. The company expects a profit this year.

## Textile companies mixed

By Stefan Wagstyl in Tokyo

JAPANESE textile companies, many of which are trying to diversify in the face of competition from imports, posted mixed results last year.

The industry benefited the previous year from a surge in demand for cotton yarn. Last year they had to rely more on synthetic materials – with mixed success.

Kanebo, a leading spinning company; Unitika, a diversified fibre-maker; and Kuraray, a medium-sized producer of synthetic fibres, posted the largest increases in profits, thanks to strong increases in demand from industrial textile users for synthetic fibres.

Teijin, a polyester maker, increased profits from its new businesses such as plastic film.

However, Toyobo, an all-round textile maker, only marginally increased profits due to its heavy reliance on cotton.

**JAPANESE TEXTILE MANUFACTURERS**
**Parent company results, year to March (Ybn)**

| | Sales | | Pre-tax profit | | Net profit | |
|---|---|---|---|---|---|---|
| | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 |
| Kanebo | 461.5 | 381.8 | 8.1 | 7.2 | 2.9 | 2.3 |
| Toyobo | 315.6 | 298.4 | 14.2 | 14.1 | 7.2 | 5.8 |
| Teijin | 312.3 | 309.7 | 35.6 | 33.3 | 17.5 | 15.6 |
| Unitika | 249.8 | 248.1 | 8.0 | 7.3 | 2.8 | 0.4 |
| Kuraray | 211.1 | 198.8 | 10.3 | 5.5 | 2.7 | 2.2 |

**JAPANESE SHIPPING LINES**
**Parent company results, year to March (Ybn)**

| | Sales | | Pre-tax profit | | Net profit | |
|---|---|---|---|---|---|---|
| | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 |
| Nippon Yusen | 425 | 414 | 12.0 | 7.8 | 3.9 | 2.4 |
| Mitsui OSK | 358 | 346 | 5.6 | 2.1 | −2.5 | −2.8 |
| Kawasaki Kisen | 300 | 292 | 1.8 | −2.3 | −2.0 | −6.0 |
| Japan Line | 119 | 131 | 19.8 | −1.3 | 2.5 | −3.5 |
| YS Steamship | 110 | 123 | 0.5 | −0.16 | −3.8 | −10.0 |

JAPAN'S FIVE largest shipping companies have reported a sharp recovery in profits due to a modest upturn in some markets and the impact of cost-cutting, writes Stefan Wagstyl.

The companies all reported parent company results for the year to March. They cited an improvement in rates in the tramp market as the key to their recovery.

Nippon Yusen (NYK Line) said that shipping of goods across the Pacific to the US was doing well. Strong demand for steel and Soviet grain imports also supported the market. Kawasaki Kisen, one of the largest specialised car carriers, said that large volumes of exports of cars to North America helped its result.

Japan Line and Yamashita-Shinnihon are to merge to form a new company called Navix Line from June 1, in a financial restructuring scheme which will clear their debt-laden balance sheets. Both companies have written off large amounts of capital and accumulated bank debt.

*This year, Navix expects to make a Y2bn ($13.9m) pre-tax* profit on sales of Y170bn. The other companies also forecast increases in profits on modest gains in turnover, as they reckon they have not yet reaped the benefits of industry rationalisation.

**JAPANESE MINING AND METALS**
**Parent company results, year to March (Ybn)**

| | Sales | | Pre-tax profit | | Net profit | |
|---|---|---|---|---|---|---|
| Nippon Mining | 718 | (+1.2%) | 20.2 | (-15.7%) | 9.1 | (+92%) |
| Mitsubishi Metal | 718 | (+9.4%) | 20.1 | (+70%) | 8.2 | (5%) |
| Sumitomo Metal | 488 | (+2.0%) | 20.3 | (+171%) | 8.0 | (+250%) |
| Nippon Light | 267 | (+7.9%) | 14.0 | (+0.2%) | 10.6 | (6.2%) |
| Mitsui Mining | 262 | (-2.3%) | 9.3 | (+369%) | 2.6 | (+107%) |

## High metals prices lift mining concerns

By Stefan Wagstyl in Tokyo

MINING and metals companies increased their profits last year by capitalising on increasing world metals prices.

Nippon Light Metal, Japan's largest aluminium producer which is half-owned by Alcan Aluminium of Canada, declared a dividend for the first time to 14 years.

The only group to show a fall in profits was Nippon Mining, which last year acquired Gould, the US engineering company. However, Nippon Mining's profits the previous year were boosted by one-off sales of stock.

The companies were all reporting parent company results for the year to March. They forecast further increases to profits in the current financial year.

## Chemicals sector surges

FIVE JAPANESE chemicals companies enjoyed strong increases in profits last year, due largely to buoyant domestic demand from industry for a wide range of basic and speciality chemicals, writes Stefan Wagstyl.

Sekisui Chemical, a leading maker of resins, and Ube Industries, a comprehensive maker of cement, chemicals and machinery, benefited particularly from the surge in demand for their products from construction and building companies. Ube paid a dividend for the first time in five years.

Shin-Etsu, a producer of silicon for semiconductors, profited from the continuing expansion of the electronics industry.

**JAPANESE CHEMICAL COMPANIES**
**Parent company results, year to March (Ybn)**

| | Sales | | Pre-tax profit | | Net profit | |
|---|---|---|---|---|---|---|
| | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 |
| Sekisui Chemical | 504.2 | 441.5 | 36.8 | 26.8 | 18.1 | 12.1 |
| Ube Industries | 402.9 | 365.0 | 31.9 | 20.4 | 6.3 | 3.7 |
| Mitsui Toatsu | 394.8 | 363.3 | 32.5 | 21.5 | 10.7 | 6.2 |
| Shin-Etsu Chemical | 247.3 | 185.1 | 22.8 | 18.1 | 10.9 | 8.9 |
| Mitsubishi Gas Chem | 199.4 | 182.1 | 15.2 | 14.1 | 8.6 | 4.9 |

## Seiko earnings recover after rationalisation

By Ian Rodger

PROFITS OF Hattori Seiko recovered strongly in the year to March, thanks mainly to the watch and clock maker's rationalisation efforts.

Pre-tax profits reached Y3.2bn ($22.3m) compared with only Y400m in the previous year, but sales grew just 1.7 per cent to Y284.9bn. The company said that a slight drop in sales of watches and clocks was offset by gains in jewellery and glasses sales, which grew 21.2 per cent and 6.3 per cent respectively.

Hattori officials emphasised that profits were still below the Y3.5bn earned in 1985-86 before the yen was revalued. Since then, exports have tumbled. Also, sales are still below the 1985-86 total of Y373.2bn.

For this year, the group is forecasting a pre-tax profit of Y3.5bn, up 9.2 per cent.

## Firm consumer spending boosts Isetan surplus

By Stefan Wagstyl

ISETAN, a leading Japanese department store group, has reported higher profits due the continued strength of consumer spending.

The group, reporting results for an irregular period because it is changing its year-end, said that pre-tax profits in the five months to March totalled Y6.4bn ($44.6m) on sales of Y133.5bn.

For the year to March 1990 it is forecasting profits of Y15bn on sales of Y376bn.

This compares with profits of Y14.34bn and sales of Y342.6bn to the last full year, which ended in November last year.

## Fanuc ahead by 37% on buoyant home demand

PRE-TAX PROFITS of Fanuc, the Japanese numerical controls and robot-making group, increased by 37 per cent to Y47.6bn ($331.9m) in the year to March, Our Tokyo Staff writes.

Sales were up 27 per cent, mainly on strong domestic demand, and the company is operating nearly at capacity. It forecasts pre-tax profit in the current year of Y52.8bn, and totends to raise its annual dividend by Y1 to Y18 per share, the second consecutive increase.

# Intel weighs up sites for making chips in Europe

By Terry Dodsworth, Industrial Editor

INTEL, the US chip manufacturing company, is expected to make a decision on plans for a £200m to £300m manufacturing investment in Europe within the next few months.

The project is one of several recent moves by American and Japanese semiconductor companies to set up manufacturing facilities in Europe. It follows a controversial European Commission ruling on local content requirements which says that chips have to fabricated in the region to qualify as European-made.

Last month, Fujitsu, one of the leading Japanese chip companies, announced a £400m ($624m) investment in UK manufacturing. Two other leading Japanese groups, Hitachi and Toshiba, are also close to a decision on European fabrication.

An investment decision by Intel would in some ways carry more clout than these other moves because the US company is one of the world's two main producers of microprocessors, the most important components in personal computers. Intel chips provide the main thinking power in International Business Machines' range of desktop PC products.

Mr Steve Poole, Intel's assistant European general manager, said yesterday that company officials had recently made a detailed study of several potential production sites throughout the region. The prospects would be assessed during the summer, he added, and a decision made as soon as possible because the group needed to add capacity somewhere in the world.

Until now, Intel has stood out among US chip manufacturers in its reluctance to instal overseas fabrication facilities. This is the most complex part in the manufacturing process, and the company has preferred to retain these operations close to its headquarters in California. Intel's approach to overseas fabrication has changed with the rapid growth in PC sales outside the US.

# Ames held back after takeover

By Karen Zagor in New York

AMES, THE rapidly expanding US discount department stores group which bought Zayre's loss-making department stores for $800m in October, yesterday reported first-quarter losses.

Net losses for the three months ended April 29 were $12.3m or 27 cents a share, against a first-quarter profit of $5.9m or 16 cents last year.

Sales improved by more than 125 per cent to $1.1bn from $494m a year earlier.

The Rocky Hill, Connecticut, company said that this year's results include an after-tax gain of $8.7m or 15 cents because of the extension of an agreement with J. Baker to lease shoe departments in Ames and Zayre stores.

The 388 Zayre discount stores reported operating losses of $69m on sales of $1.4bn in the first half of last year. Mr Peter Hollis, president and chief executive, said: "The primary reason for our first-quarter loss is the timing of expenses we are incurring to consolidate the Zayre and Ames chains."

# Bombardier profit edges ahead in first quarter

By Robert Gibbens in Montreal

BOMBARDIER, one of two bidders for Short Brothers of Belfast, earned C$15m (US$12.4m) or 23 cents a share in the first quarter ended April 30, up from C$14.7m or 22 cents a year earlier. Revenues went ahead to C$384m from C$336m.

The revenue growth came from new recreational products and the company expects more growth in the short term from the aerospace and mass transit equipment division.

Bombardier, which operates plants in Canada, the US and Europe, has restructured its business, creating more main divisions: aerospace, mass transit and rail equipment, recreational products and defence systems.

Aerospace will become its biggest single business if the offer for Short is accepted by the British Government. Short would be integrated with Bombardier's Canadair aerospace division. Canadair is developing a regional jet for delivery in 1991-92 onwards and needs Short's engineering and production capacity to meet orders for more than 60 aircraft.

# Renault unit builds alliances

By Paul Betts in Paris

RENAULT Automation, the robotics and industrial automation subsidiary of Renault, the French car group, is staking its European development on a series of technical and commercial agreements with other leading factory automation groups in Europe.

The subsidiary yesterday announced a technical and marketing agreement in the field of high precision measuring instruments with the Swiss-based Wild Leitz group. The deal is part of a broad strategy of alliances to build up the company's presence in the European factory automation market.

The Wild Leitz agreement follows other recent deals for co-operation in robotics with the Spanish Debako group and with the Krupp group of West Germany.

The French group's strategy of European co-operation agreements coupled with major restructuring over the past three years is now starting to bear fruit.

Three years ago Renault was considering shedding the loss-making automation subsidiary, as part of the state car group's recovery policy based on regrouping around its core European car manufacturing businesses.

However, after losing about FFr180m ($28.5m) three years ago, Renault Automation operated close to break-even last year.

Sales have risen from around FFr1.2bn in 1986 to FFr1.4bn last year and are expected to increase to around FFr1.8bn this year, according to senior company officials.

Revenue has been boosted by buoyant demand from the car industry which accounts for about 80 per cent of Renault Automation's sales.

Renault remains the subsidiary's single biggest customer, but now accounts for less than 50 per cent of sales. The offshoot is seeking to increase sales outside the Renault group.

# Insurance setback for Canada's banks

By David Owen in Toronto

THE CANADIAN Government has reiterated its determination to impose restrictions on banks' ability to sell insurance through their branch networks when it unveils financial services legislation later this summer.

The legislation will eventually dictate the extent to which banks, insurers and trust companies are permitted to encroach upon each others' turf. An earlier attempt to formulate new ground-rules was derailed last year amid fierce industry criticism.

Speaking in Toronto, Mr Gilles Loiselle, Minister of State for Finance, stated the legislation would not allow banks to "retail" insurance.

Though the minister's choice of words leaves some room for interpretation, the statement suggests strongly that banks will not be permitted actually to sell insurance policies through their extensive branch networks.

Such a move would constitute a reprieve for the insurance industry's coterie of sales agents, who fear being undercut by low-cost competition should banks and trust companies be allowed to market insurance unrestricted.

But it would be a big disappointment to the banks themselves, which have lobbied strongly for restrictions to be lifted on the grounds that consumers would have access to cheaper insurance.

Mr Loiselle also hinted that the Government may be softening its stance on the issue of the ownership of financial institutions by commercial enterprises.

# Hydro buys 11.9% holding in Ranger Oil

By Karen Fossli in Oslo

NORSK HYDRO, Norway's largest publicly quoted company, has bought an 11.9 per cent stake in Calgary-based Ranger Oil for C$72.5m (US$59m).

Hydro, with large interests in Norway's North Sea oil industry, fertilisers and light metals, said it regarded the acquisition as a portfolio investment and it had no plans to increase its stake. It paid C$7.25 per share for 10m shares which will be made through an exclusive rights issue to Hydro from Ranger.

Ranger, which has most of its oil activities in the North Sea and North America, is understood to have plans to use the income from the sale to develop its oil activities.

The Calgary group has shares in several offshore oil and gas fields in the British sector of the North Sea, including the Ninian and Claymore fields. Hydro has access to 210m tonnes of oil equivalent, mostly in the Norwegian North Sea, but is seeking new exploration acreage in the British sector. It also has exploration acreage off Angola and is looking for new acreage in South Yemen.



# Hudson's Bay cuts loss

By Robert Gibbens in Montreal

HUDSON'S BAY Company, Canada's largest merchandiser, continued its recovery in the first quarter this year and expects to maintain the improvement through fiscal 1990.

The Bay's overall loss for the first-quarter was C$4.6m (US$3.8m) or 36 cents a share, against a loss of C$23.4m or C$1 a year earlier, on revenue of C$977m, against C$968m.

The merchandising division posted an operating profit of C$9m against a previous loss of C$12.7m.

Operating profit from real estate was C$33.3m, against C$18.7m a year earlier.

Interest costs were lower because debt has been reduced sharply over the past two years.

# Royal Bank of Canada ahead

By Robert Gibbens in Montreal

THE ROYAL Bank of Canada unveiled a sharp improvement in first half profits yesterday. The bank saw earnings rise 50 per cent in the second quarter and 63 per cent in the first half of fiscal 1989.

The country's largest chartered bank increased its market share in domestic retail banking, corporate lending margins improved and treasury and investment banking activities also did better.

"We are optimistic about the potential for sustained earnings growth in the years ahead," said Mr Allan Taylor, chairman.

Second quarter net earnings on a fully-diluted basis were C$215m (US$178m), or C$1.39 a share, up from C$143m or 99 cents a year earlier.

First half profit jumped to C$485m from C$297m, and earnings to C$3.18 a share against C$2.06 a year earlier. Income net of interest advanced to C$1.7bn from C$1.5bn.

Second quarter average assets were C$111.6bn, up 11 per cent from a year earlier, with one third of the increase coming from RBC Dominion Securities, acquired last year.

## INTERNATIONAL CAPITAL MARKETS

# Dollar deals welcomed as currency remains strong

By Andrew Freeman

THE RUSH by investors into dollars continued on the Eurobond market yesterday, although issuing opportunities became more difficult. Two dollar deals were launched to fine receptions, but syndicate officials said that forthcoming US employment data would slow new-issue activity.

### INTERNATIONAL BONDS

J.P. Morgan was the lead manager of a $175m five-year deal for Oesterreichische Kontrollbank. The bonds carried a 9¼ per cent coupon and were priced at 101⅛ to yield 49 basis points over the equivalent US Treasury issue.

The deal was quickly sold and was quoted by the lead manager at less 1.70 bid, after opening at 1⅞ bid. This was comfortably within underwriting commissions of 1⅞ per cent.

Good demand was reported from a range of European and Middle Eastern institutions. It is understood that the proceeds were swapped into floating-rate yen, although the lead manager would not comment.

A $200m five-year issue was brought by IBJ International for the Metropolis of Tokyo.

The bonds also offered a 9¼ per cent coupon, but were priced at 101⅛ to yield around 43 basis points over Treasuries.

The bonds were quoted by the lead manager at less 1⅞ bid, implying a spread of 37 basis points against Treasuries. According to IBJ, there was substantial unfulfilled institutional demand for the bonds.

However, the relatively tight yield caused some comment from syndicate managers, who said there was subdued European demand for the paper. They speculated that the borrower's name was much more attractive to Japanese investors.

Although the lead manager would not comment, it is understood the proceeds were swapped into fixed-rate yen via floating-rate US dollars to achieve an attractive funding rate.

New South Wales Treasury Corporation reopened its four-year 12½ per cent issue with an A$50m tranche which was later increased to A$65m. Bain & Company, the lead manager, offered the new bonds at 93.431 to yield around 15.55 per cent. An official reported good institutional demand.

In Switzerland yesterday, traders reported improved sentiment following the stabilisation of short-term interest rates, although turnover remained low.

On the secondary market, the Inter-American Development Bank 5⅛ per cent issue gained ⅜ point to 100⅞ bid, while Heron 6⅞ per cent bonds rose by ½ point to 97 bid.

Tuesday's convertible issue for Dai-Ichi Kangyo Bank steadied in the grey market. The public tranche was unchanged at less 3 bid, while the notes issue by Credit Suisse was quoted at less 3¼ bid. The SFr100m tranche led by DKB improved to less 2 bid, a gain of ¼ point.

In Germany, secondary market prices gained around 15 pfennigs across the board, with traders attributing the gains to the weaker US dollar. However, turnover was quiet and there were no new issues. The Dai-Ichi convertible fell by ½ point to less 3⅛ bid.

Elsewhere, a Ptas10bn Matador issue for International Finance Corporation was brought by Citibank Spain with a 12½ per cent coupon. The bonds traded inside fees at around 100.60 bid. The proceeds were swapped into sub-Libor US dollars.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Metropolis of Tokyo(a)◆ | 200 | 9¼ | 101⅛ | 1994 | 1⅞/1¼ | IBJ Int. |
| Oest. Kontrollbank◆ | 175 | 9¼ | 101⅛ | 1994 | 1⅞/1¼ | J.P. Morgan Secs. |
| Tokyu Construction‡◆ | 150 | (4½) | 100 | 1993 | 2¼/1½ | Yamaichi Int. (Europe) |
| Flash Series G(b)◆ | 30 | 15bp | 100.10 | 1995 | 10/8bp | Sanwa Int. |
| Olympus Optical Co.(c)♦◆ | 150 | 4 | 100 | 1993 | 2¼/1½ | Yamaichi Int. (Europe) |
| Olympus Optical Co.(c)♦◆ | 150 | 4 | 100 | 1993 | 2¼/1½ | Nomura (Singapore) |
| Press Kogyo Co.(d)♦◆ | 100 | 4⅛ | 100 | 1993 | 2¼/1½ | Nomura Int. |
| **AUSTRALIAN DOLLARS** | | | | | | |
| New S'th Wales Treasury(e)◆ | 65 | 12½ | 93.431 | 1993 | 1⅜/1¼ | Bain & Co. |
| **YEN** | | | | | | |
| Marubeni UK(f)◆ | 17.5bn | 11.19 | 112.603 | 1994 | 1⅞/1¼ | Daiwa Europe |
| GTE Finance Corp.◆ | 13bn | 5½ | 101⅞ | 1994 | 1⅞/1¼ | Yamaichi Int. (Europe) |
| **PESETAS** | | | | | | |
| International Fin. Corp.◆ | 10bn | 12½ | 101⅝ | 1994 | 1⅝ | Citibank Espana |
| **SWISS FRANCS** | | | | | | |
| Showa Highpolymer(g)★★♦◆ | 90 | 1⅛ | 100 | 1994 | 1⅝ | Citicorp Inv. Bank |

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. ‡Floating rate notes. a) Non-callable. b) 15bp over 3-month Libor. c) Coupon indicated at 4⅞%. d) Coupon cut by ⅛% from indication. e) Fungible with A$150m bond launched in March including exchange into domestic bond. f) Step-down coupon to 7.732% after one year. g) Coupon cut by ¼% from indication.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 31

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| B F C.E. 7 92 | 150 | 93⅞ | 94⅛ | -0⅛ | 0 | 9.49 |
| B.F.C.E. 9⅛ 95 | 150 | 99⅞ | 100 | 0 | -0⅛ | 9.31 |
| Brit. Tel. Fin. 9⅞ 98 | 250 | 100¼ | 100¾ | +0¼ | 0 | 9.28 |
| BP America 9¼ 97 | 250 | 101⅜ | 102⅛ | -0⅛ | -0⅛ | 9.41 |
| Canada 9 96 | 1000 | 100⅛ | 100⅜ | -0¼ | -0¼ | 8.91 |
| Canadian Pac. 10¼ 93 | 100 | †101⅞ | 102⅜ | 0 | 0 | 10.15 |
| C.C.C.E 9¼ 95 | 300 | 99¼ | 100⅛ | -0½ | -0¼ | 9.26 |
| C.N.C.A 9⅞ 93 | 150 | 99¾ | 100¼ | -0⅛ | -0¼ | 6.36 |
| Credit National 8¼ 93 | 200 | 96⅛ | 96½ | -0⅛ | -0⅛ | 9.43 |
| Credit National 7⅞ 92 | 100 | 94⅞ | 95⅛ | 0 | -0⅛ | 9.47 |
| Credit National 9½ 92 | 160 | 100⅜ | 101⅛ | -0¼ | -0⅛ | 9.13 |
| Dai-Ichi Kan 9⅛ 92 | 150 | 100 | 100¼ | 0 | -0⅛ | 9.54 |
| Denmark 7⅛ 92 | 500 | 94 | 94½ | +0¼ | -0¼ | 9.62 |
| E.E.C. 7 91 | 100 | 94½ | 95 | 0 | -0¼ | 9.41 |
| E.E.C. 7¼ 95 | 250 | 93⅛ | 93⅝ | -0¼ | -0¼ | 9.56 |
| E.E.C. 10 93 | 140 | †101⅞ | 102¼ | -0⅛ | -0¼ | 9.34 |
| E.I.B. 7⅞ 93 | 100 | 93⅛ | 94¼ | 0 | +0⅛ | 9.32 |
| E.I.B. 9⅞ 97 | 150 | 100½ | 101 | -0⅛ | -0¼ | 9.23 |
| Eurofima 10¼ 93 | 100 | *102⅛ | 103 | 0 | -0¼ | 9.21 |
| Elec. De France 9 98 | 200 | 98⅞ | 98⅞ | 0 | -0¼ | 9.25 |
| Elec. De France 9⅞ 99 | 200 | 101 | 101⅜ | 0 | -0¼ | 9.31 |
| Finland 7⅞ 97 | 200 | 92½ | 93 | +0¼ | +0¼ | 9.22 |
| Finn Exp. Cd. 8½ 92 | 200 | 97¼ | 97⅞ | -0⅛ | -0¼ | 9.54 |
| Finn. Exp. Cd. 9¼ 95 | 200 | †99⅞ | 100¼ | +0¼ | 0 | 9.35 |
| Ford Motor Credit 8 91 | 250 | †96⅞ | 97⅛ | -0¼ | 0 | 9.77 |
| Gen. Elec. Cap. Corp. 9 93 | 500 | †98⅛ | 98⅝ | -0¼ | 0 | 9.43 |
| Gen. Elec. Cap. Crp. 10 1/2 91 | 300 | †101½ | 102 | -0¼ | -0⅛ | 9.36 |
| Gen. Mtrs. Corp. 9⅛ 92 | 200 | 98⅞ | 98⅞ | +0¼ | -0¼ | 9.64 |
| IBM Credit Corp. 8⅞ 93 | 250 | 98⅞ | 99⅛ | 0 | 0 | 9.37 |
| IBM Credit Corp. 9⅛ 92 | 250 | 100⅛ | 100⅜ | -0¼ | -0¼ | 9.20 |
| IBM Credit Corp. 10 92 | 200 | 101⅛ | 102⅛ | 0 | -0¼ | 9.18 |
| Italy 9⅞ 95 | 1000 | 100⅞ | 101⅛ | -0¼ | -0¼ | 9.29 |
| Italy 9⅞ 99 | 1000 | †101⅞ | 102¼ | -0⅛ | +0¼ | 9.31 |
| Japan Dev. Bank 10 96 | 200 | 103⅛ | 103⅝ | -0⅛ | -0¼ | 9.27 |
| L.T.C.B. of Japan 9⅛ 92 | 200 | †98½ | 99 | +0⅛ | -0⅛ | 9.46 |
| Metropolis Tokyo 9⅞ 93 | 200 | 100⅜ | 101⅛ | +0⅛ | +0⅛ | 9.15 |
| Nippon Tel.&Tel. 9⅞ 98 | 250 | 100⅛ | 101 | 0 | 0 | 9.24 |
| Norway 8⅞ 93 | 500 | 97⅞ | 98⅜ | 0 | -0¼ | 9.34 |
| Portugal 8⅛ 92 | 300 | †97 | 97⅛ | 0 | 0 | 9.95 |
| Prudential Crp. 8⅞ 94 | 125 | 98½ | 99 | 0 | -0⅛ | 9.05 |
| State Bk. S Aust 9⅛ 93 | 100 | †98⅞ | 99⅛ | -0¼ | -0⅛ | 9.51 |
| Sumitomo Bank 9⅞ 92 | 150 | †99⅞ | 100¼ | -0⅛ | -0¼ | 9.59 |
| Sweden 7 91 | 250 | 94⅛ | 95⅛ | -0⅛ | -0⅛ | 9.43 |
| Sweden 8⅛ 96 | 200 | 97⅞ | 97⅞ | -0⅛ | -0⅛ | 9.22 |
| Sweden 8½ 92 | 200 | †97⅞ | 97⅞ | -0¼ | -0⅛ | 9.46 |
| Toyota 9⅛ 92 | 200 | 99⅞ | 99⅞ | -0¼ | -0⅛ | 9.48 |
| Victorian Rep 11⅛ 92 | 150 | †104⅛ | 105⅛ | +0⅛ | -0¼ | 9.56 |
| World Bank 7 92 | 300 | †94⅞ | 94⅞ | -0⅛ | -0⅛ | 9.34 |
| World Bank 9 97 | 300 | 98⅞ | 98⅞ | 0 | -0⅛ | 9.23 |
| World Bank 9 93 | 300 | 99⅛ | 99⅞ | -0¼ | -0¼ | 9.14 |
| World Bank 9⅛ 98 | 300 | 99⅞ | 100⅛ | -0¼ | -0⅛ | 9.21 |
| World Bank 9⅞ 99 | 500 | 102⅛ | 102⅝ | -0⅛ | -0⅛ | 9.21 |
| World Bank 9⅞ 96 | 500 | 102⅛ | 102⅝ | -0¼ | -0¼ | 8.58 |

Average price change... On day -0⅛ on week -0⅛

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. BK. 6 94 | 200 | 94¼ | 94⅝ | +0¼ | -0½ | 7.23 |
| Austria 6⅛ 99 | 750 | †96⅞ | 97⅛ | +0¼ | 0 | 7.18 |
| Bank of Tokyo 5⅛ 93 | 100 | 93 | 93½ | 0 | +0⅛ | 7.23 |
| Commerzbank o/s. 5⅛ 93 | 300 | 94⅛ | 94⅝ | 0 | 0 | 7.14 |
| Credit Foncier 6⅛ 99 | 500 | †96⅛ | 97⅛ | +0¼ | 0 | 8.20 |
| Degussa Int. 6⅛ 97 | 200 | 92½ | 93 | +0½ | +0⅞ | 7.33 |
| E.I.B 5½ 98 | 150 | 88½ | 89 | +0⅛ | +0½ | 7.26 |
| E.I.B. 6¼ 99 | 600 | 93⅛ | 93⅞ | +0⅛ | -0⅛ | 7.22 |
| E.I.B. 6½ 96 | 300 | 94 | 94½ | 0 | +0⅛ | 7.18 |
| E.I.B. 6½ 99 | 300 | †95 | 95½ | +0¼ | 0 | 7.19 |
| E.I.B 6⅞ 95 | 300 | 99 | 99½ | +0⅛ | +0¼ | 7.01 |
| Euro.Coal& Steel 5¼ 97 | 175 | 92 | 92½ | +0¼ | +0⅛ | 7.21 |
| Eurofima 6¼ 96 | 100 | 94½ | 95 | +0½ | +0¼ | 7.22 |
| Elec De France 5⅛ 97 | 300 | 89⅞ | 90⅛ | +0⅛ | +0¼ | 7.42 |
| Forsmark Krtg. 5⅛ 93 | 200 | 92⅞ | 93⅛ | 0 | -0⅛ | 7.36 |
| Hydro-Quebec 6⅛ 99 | 300 | †96⅞ | 96⅞ | 0 | -0⅛ | 7.22 |
| Japan Dev. Bk. 5⅞ 95 | 300 | †91⅞ | 91⅞ | -0¼ | -0¼ | 7.19 |
| Japan Finance 5⅛ 97 | 100 | 91⅛ | 92 | 0 | -0⅛ | 7.17 |
| Ireland 6⅛ 97 | 300 | 93⅞ | 94⅛ | +0¼ | -0⅛ | 7.51 |
| Malaysia 6¼ 94 | 150 | 93⅞ | 96¼ | 0 | 0 | 7.21 |
| Nat. West BK. PLC 6 98 | 300 | †91⅛ | 91½ | +0⅛ | 0 | 7.33 |
| N.H.L. Finance 6¼ 95 | 200 | †93⅛ | 93⅞ | 0 | 0 | 7.55 |
| Nippon Telg.&Tel. 6 95 | 400 | †95⅛ | 96⅛ | 0 | +0⅞ | 6.37 |
| Oesters. Kontbk. 5 93 | 300 | 94⅞ | 95⅛ | +0⅛ | +0⅛ | 6.57 |
| Portugal 5⅛ 92 | 100 | 95⅛ | 96⅛ | -1 | -1¼ | 7.19 |
| Portugal 6⅛ 95 | 150 | 97⅞ | 98⅛ | -0⅛ | 0 | 7.03 |
| Privatbanken 5⅛ 93 | 150 | 92⅞ | 93⅝ | -0⅛ | -0⅛ | 7.41 |
| Royal Insurance 5½ 92 | 300 | 95⅛ | 96⅛ | +0⅛ | +0⅛ | 7.08 |
| Soc Cent Nuclear 7⅛ 95 | 150 | 99⅛ | 99⅞ | -0¼ | -0¼ | 7.32 |
| Turkey 6½ 95 | 500 | †93⅞ | 94⅛ | +0¼ | +0¼ | 7.77 |
| Union Bk. Finland 5⅛ 94 | 200 | †94 | 94½ | 0 | 0 | 6.98 |
| Westfb. Finance 5 93 | 200 | *†92½ | 93 | 0 | 0 | 7.27 |
| World BK. 6⅛ 97 | 600 | 94½ | 94⅞ | -0⅛ | -0⅛ | 7.56 |

Average price change... On day +0½ on week +0

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| African Dev. Bk. 5 96 | 150 | †92 | 93 | 0 | +0¼ | 6.33 |
| Acfinag 5 03 | 100 | †90 | 90½ | 0 | 0 | 6.05 |
| B F C E 4½ 98 | 200 | †89⅛ | 89⅛ | 0 | 0 | 6.03 |
| B.M.W. Fin. Neth. 5 13 | 150 | †86 | 86½ | 0 | -0½ | 6.11 |
| Britannia B/S. 4⅞ 94 | 100 | †90 | 90½ | +0½ | -0⅛ | 6.62 |
| CIR. Int. W/W 3 93 | 125 | †88 | 88¼ | 0 | -4 | 6.35 |
| Credit Lyonnais 4⅞ 00 | 100 | †85 | 85¼ | +0½ | +0⅞ | 6.71 |
| E.I.B 4⅞ 98 | 150 | †89⅛ | 90 | 0 | +0¼ | 6.13 |
| Fletcher Chall. 4⅞ 98 | 150 | †88½ | 89¼ | +0⅞ | -0½ | 6.59 |
| Kobe City 4⅛ 98 | 150 | †89½ | 91 | 0 | +1⅛ | 6.05 |
| Leeds Perm. B/S. 4⅛ 93 | 200 | †91⅛ | 91½ | 0 | 0 | 6.72 |
| Malaysia 5⅛ 98 | 100 | †86⅛ | 86½ | +0¼ | +1¼ | 7.35 |
| Maxwell Comm. Crp. 5 95 | 150 | †84 | 85 | -0¼ | +0⅞ | 8.37 |
| Nat. Bk Hungary 5½ 94 | 75 | †94½ | 95½ | +0½ | +0½ | 6.59 |
| Nationwide Ang. B/S. 4 93 | 200 | †90¼ | 90½ | -0½ | -0⅛ | 6.76 |
| Nippon Telg.&Tel 4⅛ 95 | 200 | *†91¼ | 91⅞ | 0 | -0⅞ | 5.86 |
| Oesters. Ktbk. 5 03 | 75 | †90 | 91 | -1¼ | -1 | 6.01 |
| Prov. Newfoundland 5 03 | 150 | †89½ | 90½ | 0 | -0½ | 6.05 |
| Thailand 4½ 95 | 200 | †90 | 92 | 0 | -0½ | 6.45 |
| World Bank 5 03 | 150 | †88½ | 89½ | +0⅞ | -1½ | 6.18 |

Average price change... On day +0 on week -0¼

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Canada 6⅛ 91 | 80 | 101¼ | 101½ | 0 | +0⅛ | 5.25 |
| Canada 5⅞ 93 | 80 | 101⅛ | 101⅞ | +0⅛ | +0⅛ | 5.14 |
| Eurofima 5 1995 | 20 | 99 | 99½ | +0⅛ | +0⅛ | 5.15 |
| E.I.B. 4⅞ 93 | 30 | 98⅞ | 98⅞ | +0⅛ | +0⅛ | 5.24 |
| Ireland 5⅛ 93 | 30 | 99⅞ | 100⅛ | +0⅛ | +0⅛ | 5.12 |
| Norway 5⅛ 95 | 50 | 100 | 100¼ | +0⅛ | +0⅛ | 5.10 |
| Sweden 4⅞ 93 | 50 | 97⅞ | 98 | +0¼ | +0⅛ | 5.23 |
| World Bank 5⅛ 98 | 10 | 98⅞ | 99⅛ | +0⅛ | +0⅛ | 5.27 |
| World Bank 7 94 | 20 | 107⅞ | 108 | 0 | +0⅛ | 5.20 |

Average price change... On day +0⅛ on week +0½

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey Nat. BS. 10⅛ 93 £ | 50 | 93⅞ | 94¼ | -0¼ | -0⅛ | 12.37 |
| Abbey Nat. 11⅛ 95 £ | 100 | 97⅞ | 98 | -0⅛ | -0⅛ | 12.19 |
| Alg. Bk. Ned. 5½ 92 FL | 150 | 94½ | 95 | -0½ | +0⅞ | 7.70 |
| Alg. Bk. Ned. 5⅛ 93 FL | 200 | 93½ | 94⅛ | -0⅛ | -0⅛ | 7.70 |
| Austria 7½ 94 ECU | 100 | 95 | 95⅛ | 0 | -0⅛ | 8.77 |
| Bk. Nova Scot. 14⅞ 90 A$ | 75 | 95 | 96 | -0⅛ | -0½ | 17.86 |
| Barclays Aus. 13½ 91 A$ | 100 | 94⅞ | 95⅛ | -0⅛ | -1⅛ | 16.07 |
| Belgium 8⅛ 94 Ecu | 150 | 97⅞ | 97⅞ | +0⅛ | -0⅛ | 8.74 |
| BP Capital 9⅛ 93 £ | 100 | 92⅞ | 95⅛ | -0½ | -0⅞ | 12.06 |
| British Airways 10 98 £ | 100 | 90½ | 91⅛ | -0⅛ | -0⅞ | 11.73 |
| Buhrmann-Tet. 6⅛ 93 FL | 100 | †94⅛ | 94⅞ | 0 | -2 | 7.98 |
| Comm. Bk. Aust. 12⅝ 93A$ | 100 | †92 | 92½ | 0 | -0⅛ | 15.34 |
| Coop. Ctr. Rabo. 6⅛ 93 FL | 100 | 96⅞ | 97⅛ | +0⅛ | 0 | 7.24 |
| Cr. Local France 9¼ 92Ecu | 100 | 101 | 101½ | +0⅛ | -0⅛ | 8.76 |
| Dent. Bk. Aus. 13⅞ 93 A$ | 125 | 93⅞ | 93⅞ | +0⅛ | -2½ | 15.36 |
| Deutsche Bk. Fin. 15 94 A$ | 100 | 101 | 101⅞ | +0⅛ | -0⅛ | 14.64 |
| Eastman Kodak 13 90 A$ | 100 | 94⅞ | 95⅛ | +0⅛ | -0⅛ | 17.54 |
| E.I.B. 7 96 LFr | 100 | 96¼ | 97½ | 0 | 0 | 7.53 |
| E.I.B. 9 99 Ecu | 150 | 100⅛ | 100½ | 0 | -0⅛ | 8.96 |
| Eurofima 7⅛ 94 Ecu | 100 | 95⅛ | 95⅞ | 0 | -0⅛ | 8.82 |
| Export Dv. Crp. 8⅞ 92Ecu | 100 | 99⅞ | 100½ | 0 | 0 | 8.79 |
| Fed. Bus. Dv. Bk. 9⅞ 92 C$ | 75 | †97 | 97½ | -0⅛ | 0 | 10.86 |
| Fed. Bus. Dv. Bk. 10⅛ 93C$ | 50 | 99⅛ | 99⅞ | +0⅛ | -0⅛ | 10.68 |
| Ferrv. Stato 7⅛ 93 Ecu | 100 | 95⅞ | 96½ | 0 | -0½ | 8.98 |
| Ford Cr. Can. 10⅛ 93 C$ | 100 | †99 | 99½ | -0⅛ | 0 | 10.97 |
| Ford Cred. Can. 10⅞ 96C$ | 125 | 100⅛ | 100⅝ | -0⅛ | +0⅛ | 10.77 |
| Ford Mtr. Cred. 7⅞ 93Ecu | 100 | 96⅛ | 96⅞ | 0 | -0⅛ | 9.05 |
| G.M.A.C. 9⅛ 93 C$ | 150 | †95⅞ | 96⅛ | -0¼ | +0⅛ | 11.01 |
| Hydro-Quebec 11 99 C$ | 400 | 102⅞ | 102⅞ | -0⅛ | +0⅛ | 10.56 |
| Lloyds Bank 10⅛ 98 £ | 150 | 91⅛ | 92⅛ | -0⅛ | -0⅛ | 11.76 |
| Lloyds Bank 11⅛ 98 £ | 100 | 95 | 95½ | -0⅛ | -0⅛ | 12.21 |
| Montreal Tst. 10⅛ 93 C$ | 100 | †98½ | 99 | -0⅛ | 0 | 11.13 |
| Morgan Guar. Tst. 11 91 C$ | 150 | 99⅛ | 99½ | -0⅛ | 0 | 11.43 |
| Nat. Aus. Bk. 14⅛ 94A$ | 100 | 97¼ | 98⅛ | +0½ | -0⅛ | 15.35 |
| New Zealand 9½ 93 £ | 100 | 91¼ | 92⅛ | -0⅛ | -0⅛ | 12.18 |
| Phillips Gleoil. 6 93 FL | 300 | 93⅞ | 94⅛ | -0⅛ | -1 | 7.69 |
| Privatbanken 7½ 94 LFr | 500 | 97⅞ | 98⅞ | 0 | 0 | 7.91 |
| Royal Bk. Scot. 10⅛ 98 £ | 125 | †93⅛ | 94½ | 0 | +0⅛ | 11.79 |
| Saskatchewan 9⅞ 91 C$ | 150 | †97 | 97½ | -0⅛ | 0 | 11.36 |
| Saskatchewan 10⅛ 93 C$ | 200 | 98⅛ | 98⅞ | -0⅛ | 0 | 10.69 |
| State Bk. NSW. 13⅞ 93A$ | 100 | 93⅞ | 94⅛ | -0⅛ | -1⅛ | 15.79 |
| Sweden 15 94 A$ | 100 | 100⅛ | 100⅞ | +0⅛ | -0⅛ | 14.80 |
| Toyota Mtr. Cr. 11⅛ 92C$ | 150 | 101 | 101⅞ | -0⅛ | -0⅛ | 10.91 |
| World Bank 13⅞ 92 A$ | 100 | 98⅛ | 98⅞ | +0⅛ | -1⅛ | 14.00 |
| Zentrspk. 13⅛ 93 A$ | 75 | †94⅞ | 94⅞ | 0 | -1⅞ | 14.96 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Alliance & Leic. Bld 94 £ | .08 | 99.82 | 99.86 | 18/07 | 13.08 |
| Bank of Greece 99 US | 0¼ | 99.56 | 99.65 | 8/09 | 10.62 |
| Belgium 91 US | 0 | 100.10 | 100.28 | 19/06 | 9.38 |
| Chelt. & Gloucester 94 £ | .063 | 99.77 | 99.82 | 30/08 | 14.06 |
| Credit Foncier 98 US | .063 | 100.27 | 100.37 | 20/10 | 10.16 |
| Dresdner Finance 99 DM | .031 | 99.86 | 99.93 | 27/07 | 6.99 |
| EEC 3 92 DM | 0 | 100.37 | 100.48 | 20/08 | 5.63 |
| Halifax BS 94 £ | .1 | 99.77 | 99.81 | 6/08 | 12.97 |
| Invt. In Industry 94 £ | 0¼ | 99.99 | 100.09 | 24/08 | 14.06 |
| Leeds Perm. B/S. 94 £ | 0⅛ | 99.98 | 100.03 | 13/07 | 13.34 |
| Midland Bank 01 £ | .1 | 98.40 | 98.70 | 11/08 | 12.97 |
| Mttk Mkt. Brd. 5 93 £ | 0⅛ | 99.88 | 99.93 | 30/06 | 13.06 |
| New Zealand 5 97 £ | .07 | 99.96 | 100.06 | 22/08 | 13.19 |
| State Bk. Nsw. 98 US | .188 | 100.36 | 100.46 | 11/08 | 9.87 |
| Woolwich Equit. BS. 93 £ | 0⅛ | 99.94 | 100.00 | 13/07 | 13.37 |
| Woolwich 5 95 £ | 0⅛ | 99.79 | 99.84 | 22/08 | 13¼ |

Average price change... On day 0.00 on week -0.07

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Alcoa 6¼ 02 US | 8/87 | 62 | 115 | 116 | -0⅛ | 9.75 |
| Amer. Brands 7⅞ 02 US | 9/87 | 56.7 | 121¼ | 122⅛ | -0⅛ | 2.27 |
| Ashikaga Bank 2⅛ 02 US | 4/87 | 967 | 129 | 130 | +2⅛ | 7.11 |
| Asics 5 92 DM | 12/83 | 472.7 | 264⅛ | 265⅛ | +0⅛ | 8.46 |
| CBS Inc. 5 02 US | 4/87 | 200 | 101⅛ | 102⅛ | +0½ | 3.41 |
| Primerica 5½ 02 US | 4/87 | 66.75 | 67⅛ | 68⅛ | 0 | 104.35 |
| Eng. China Clay 6½ 05 £ | 9/88 | 4.8 | 104⅛ | 105⅛ | 0 | 3.46 |
| Fujitsu 3 99 US | 5/84 | 1106 | 222 | 223 | +6 | 1.48 |
| Land Secs. 6⅛ 02 £ | 6/87 | 6.72 | 95⅛ | 96⅛ | -0⅛ | 11.37 |
| Minolta Camera 2⅛ 96DM | 2/86 | 1604 | 117⅞ | 118⅞ | -1 | 5.34 |
| MCA Inc 5⅛ 02 US | 9/87 | 69.62 | 92⅛ | 93⅛ | -0⅛ | 16.72 |
| Mitsubishi Bk. 3⅛ 04US | 5/89 | 3264 | 94 | 95 | +0⅞ | 4.75 |
| Mitsui Trust 2⅞ 01 US | 10/86 | 1961 | 121⅛ | 122⅛ | +0⅞ | 3.89 |
| Next Plc 5⅛ 03 £ | 11/87 | 4.3 | 98⅞ | 99⅞ | 0 | 191.21 |
| Nikko Sec. 2⅞ 03US | 4/88 | 884 | 111 | 112 | +1⅛ | -0.94 |
| Onoda Cement 2⅛ 02 US | 4/87 | 1310 | 228⅞ | 229⅞ | +11⅛ | 3.43 |
| Ranks Hovis 4⅛ 03 £ | 1/88 | 3.5 | 124⅞ | 125⅞ | +0⅞ | -2.05 |
| Redland 7⅛ 02 £ | 1/87 | 5.4 | 109½ | 110½ | -1⅞ | 1.82 |
| Saatchi&Saatchi 6⅛ 03 £ | 10/89 | 4.41 | 92 | 93 | 0 | 27.48 |
| Sumitomo Bank 3⅛ 04 US | 2/89 | 4274 | 87 | 88 | -0⅛ | 17.09 |
| Texas Inst. 2⅛ 02 US | 9/87 | 82.87 | 76⅛ | 77⅛ | 0 | 43.74 |
| W.R. Grace 6⅛ 02 US | 9/87 | 42.12 | 94⅛ | 95⅛ | -0½ | 28.32 |

* No information available-previous day's price

† Only one market maker supplied a price

*Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.*

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



# Foreign banks in Australia 'losing out'

By Chris Sherwell in Sydney

FURTHER EVIDENCE that Australian domestic banks are outperforming their foreign counterparts in the country is contained in a survey of financial institutions by Peat Marwick Hungerfords, the accounting firm.

The annual survey, released yesterday, suggests that foreign banks lost market share in 1988 after aggressive efforts over a number of years to establish their position.

Foreign banks increased their assets by only 12.2 per cent compared with 31.1 per cent in 1987, whereas domestic banks showed a growth of 20.6 per cent, up from 14.7 per cent.

In profit terms, foreign banks increased their consolidated operating profit by 34.2 per cent after a ninefold surge in 1987, whereas domestic bank profits increased by 46.9 per cent compared with 1.3 per cent.

According to Mr Norman Craig, head of the firm's national banking group, the returns shown by foreign banks pale against the achievements of the domestic banks.

Foreign banks managed a return on total assets of 0.52 per cent compared with 0.77 per cent for domestic banks and 0.81 per cent for the Big Four trading banks. Their return on net assets of 6.25 per cent was less than half the 13.47 per cent achieved by the domestic banks.

The two exceptions to this mediocre performance are Bankers Trust, which ranked top of all banks when measured by return on total assets and return on net assets, and Citibank, which on a range of eight criteria beat all other banks to finish the overall best performing bank in 1988.

The survey also confirms the setback suffered by merchant banks in Australia's competitive banking sector. Their profits declined by 3.2 per cent, after spectacular increases in the previous two years.

"Of the 86 merchant banks surveyed, 28 suffered profit reductions in 1988 and nine actually incurred losses," the survey says. However, the sector is apparently performing as well as the banks, with a return on total assets of 0.75 per cent.

The best return on total assets was again achieved by the finance company sector, with 1.22 per cent, up from 1.17 per cent in 1987. "This impressive return was based on high interest margins," the survey says, along with an increase in efficiency and a fall in bad debt losses. Building societies also recorded improved results.

# Ecu-linked bond issued by Greece

GREECE WILL offer a second 9.75 per cent drachma bond index-linked to the European Currency Unit (Ecu) this month, according to Bank of Greece officials, Reuter reports from Athens.

This follows unexpected demand for an identical three-year issue, which drew Dr48.5bn ($285m) of bids. Officials had expected about Dr30bn.

Like the previous offer, the new issue will be open-ended and all subscriptions will be accepted. Subscriptions open today and close on June 6.

It will be issued at par with a face value in drachmas and Ecu based on a rate of Ecu1,000 per Dr177,100.

Interest is paid annually in drachmas, based on the Ecu value, at the prevailing exchange rate on payment day. Final payment is calculated the same way.

Foreign money brought into Greece to purchase the bond may be freely converted and leave the country when the buyer sells the bond or the issue expires.

Foreign investors took up Dr8bn of the previous issue.

# Wilrig in equity capital offering

By Karen Fossli in Oslo

WILRIG, the troubled Norwegian drilling rig company, is to issue between NKr80m and NKr100m ($11m and $14m) of new equity capital, with Wilhelm Wilhelmsen, the Norwegian shipowner, subscribing up to 22 per cent.

Fonds Finance, the Norwegian broker, and the London-based County NatWest will jointly manage the issue, which the company hopes will be fully subscribed by the middle of this month.

Wilrig is to become a subsidiary of Wilhelm Wilhelmsen.

## INTERNATIONAL CAPITAL MARKETS

# Gilts fall as sterling drops further against D-Mark

By Stephen Fidler in London and Janet Bush in New York

UK GOVERNMENT bonds fell across the board yesterday as sterling fell to its lowest level against the D-Mark since last July, closing the day at DM3.1075.

Sterling's weakness against the German currency appeared mainly to be a response to the money market operations of the West German Bundesbank yesterday, which increased suspicions that the bank will tighten monetary conditions after its Council meeting today.

The consequent weakness of sterling heightened chances of a rise in UK bank base rates to follow last week's one point increase to 14 per cent. Long-dated gilts dropped out of a two-point trading range in which they had oscillated since April.

The long gilt future on the London International Financial Futures Exchange dropped to 92-25 from 93-30 and in the cash market price falls ranged up to 1¼ points.

Hitherto, the UK Government's buying-in programme had offered support in the long end of the gilt market. The market's performance yesterday suggested that a rise in German rates had not been fully built into prices. The longer-term fear is that such a rise may fail to hold back the dollar from further gains.

The Bank of England said this week it would conduct a reverse auction of £400m of short-dated bonds, which may have encouraged the poorer performance of the market's longer maturities.

## GOVERNMENT BONDS

THE BUNDESBANK'S variable-rate repurchase tender was the main apparent cause of the UK market's problems, but had the opposite effect on the West German bond market, which firmed.

The Bundesbank announced repurchase agreements totalling DM35bn in two tranches: a 34-day tranche of DM17.6bn at rates between 6.6 per cent and 7.15 per cent; and a 62-day part of DM17.4bn at rates from 6.75 to 7.2 per cent.

However, the message was equivocal. Although the rates were higher than at last week's 28-day repurchase tender (6.5 to 6.85 per cent), the bank replaced more in liquidity than the DM32.2bn that was being drained by maturing repurchase agreements.

Bunds were firmer, with prices rising by up to 35 pfennigs, helped by short-covering at the end of the month and reinforced by the relative strength of the D-Mark against the dollar.

The French market gained ground, too, aided by the Bank of France leaving its intervention rate in the money market unchanged at 8.25 per cent.

US TREASURY bonds drifted lower yesterday morning amid continuing talk about possible interest rate moves by the Bundesbank and the US Federal Reserve but no clear answers to any of the speculation.

A softer dollar was the main reason behind small losses in bond prices which have been tracking the US currency closely.

At midsession, selected medium-dated issues stood as much as ¼ point lower, but short-dated and long-dated maturities were unchanged. The Treasury's benchmark long bond was unchanged, yielding 8.62 per cent.

US leading indicators for April were released yesterday showing a 0.8 per cent rise, exactly in line with expectations. The figures, which confirmed other data suggesting that the economy bounced back somewhat in the second quarter compared with the modest deceleration seen in the first three months of the year, had little effect on bonds.

A larger-than-expected 2.7 per cent rise in factory orders in April undermined bonds and helped support the dollar which had been weak overnight.

The major talking point in the market is still whether a co-ordinated move on interest rates within the Group of Seven is in the pipeline. Speculation centres on today, when the Bundesbank's fortnightly policy-making council meeting takes place, with discussion of another rise in the Lombard rate in West Germany coinciding with an easing move by the US Federal Reserve.

There is a great deal of scepticism about this scenario given domestic data in the US showing a still robust economy. However, markets are not likely to move out of their narrow ranges until after today.

There has been absolutely no sign of Fed easing so far this week. Indeed, the Fed funds rate jumped up to a high of 10⅛ per cent at midsession yesterday, possibly due to the fact that the Fed drained too much. The high Fed funds rate put some early upward pressure on bill rates.

BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 9/92 | 105-18 | -10/32 | 11.44 | 11.31 | 10.96 |
| | | 9.750 | 1/98 | 95-06 | -22/32 | 10.60 | 10.42 | 10.24 |
| | | 9.000 | 10/08 | 94-30 | -42/32 | 9.59 | 9.35 | 9.26 |
| US TREASURY * | | 9.125 | 5/99 | 103-02 | -18/32 | 8.70 | 8.60 | 9.04 |
| | | 8.875 | 2/19 | 102-15 | -13/32 | 8.64 | 8.65 | 8.91 |
| JAPAN | No 111 | 4.600 | 6/98 | 94.9807 | +0.289 | 5.45 | 5.43 | 5.32 |
| | No 2 | 5.700 | 3/07 | 105.2071 | +0.392 | 5.14 | 5.13 | 5.05 |
| GERMANY | | 6.375 | 11/98 | 95.6000 | +0.400 | 7.02 | 7.03 | 6.86 |
| FRANCE | BTAN | 8.000 | 1/94 | 96.3391 | +0.065 | 8.98 | 8.96 | 8.85 |
| | OAT | 8.125 | 5/99 | 95.2100 | +0.060 | 8.86 | 8.78 | 8.74 |
| CANADA * | | 10.250 | 12/98 | 103.0000 | -0.500 | 9.76 | 9.80 | 10.06 |
| NETHERLANDS | | 6.7500 | 10/98 | 96.3250 | +0.300 | 7.46 | 7.45 | 7.12 |
| AUSTRALIA | | 12.000 | 7/99 | 89.8325 | +0.043 | 13.88 | 13.74 | 13.34 |

London closing, *denotes New York morning session
Yields: Local market standard    Prices: US, UK in 32nds, others in decimal
Technical Data/ATLAS Price Sources

# Nomura moves into Euro-equity marketplace

By Andrew Freeman

NOMURA International became the first Japanese bank to lead a Euro-equity offering for a European borrower yesterday when it announced a FM121m ($30m) issue for Amer Group, the diversified Finnish trading company.

The deal, which was oversubscribed, marks an important step for Nomura into a market that has traditionally been dominated by European and American houses, notably Credit Suisse First Boston, Morgan Stanley and Warburg Securities.

Mr Nicholas Haag, the Nomura syndicate official in charge of the deal, said the shares had been broadly distributed, with half the issue sold to European institutions and the rest placed in Japan.

"The deal is small, but significant," said Mr Haag. "We have been diversifying into international equities as part of our development into a global finance house and intend to expand our presence here."

Nomura has previously been involved in Euro-equity deals as a syndicate member and has also brought issues for Japanese borrowers. Mr Haag said there were other deals in the pipeline, but nothing was near to signing.

Worried rivals were comparing the Amer issue with Nomura's first Eurobond deal in 1975. Within a decade, Nomura was the leading underwriter and issuer of Eurobonds. There was speculation yesterday that a similar position in the Euro-equity tables is only a matter of time.

# US company in UK placement

FIRST FINANCIAL Management Corporation, an Atlanta-based information services company quoted on Nasdaq's National Market System, has arranged a private placement in the UK and Europe of 4.2m shares and 1.4m warrants, writes Stephen Fidler.

The placement will raise about $125m.

# Whittling down Third World debt

## David Lascelles on banks' initiatives to reduce LDC loan exposure

MIDLAND Bank announced at the end of last year that it had swapped its $800,000 loan exposure to Sudan into a charitable donation to finance a health, water and reforestation programme.

In the context of the Third World's multi-billion dollar debts, the sum was not enormous. But the deal was one of the more bizarre examples of the way that banks are trying to whittle down their exposure to countries in financial difficulty.

The UK clearing banks are among Europe's most active in managing their Third World loan portfolios. Midland Bank, along with Lloyds Bank, the two clearers with the heaviest exposure to Latin America, have set up specific departments charged with the job of exploring opportunities to trade, swap or sell loans, and get the numbers down.

On the face of it, their success so far has been relatively small. Last year, none of the Big Four clearers managed to reduce their exposure by more than 5 per cent and at Midland it actually increased slightly. Standard Chartered was more successful: its exposure fell by 7.5 per cent, or £127m ($202m).

However, these figures tell only part of the story. Since much of the banks' less developed country (LDC) exposure is in dollars, the strength of the US currency last year inflated the value of LDC loans in sterling terms, offsetting some of the reduction that had been achieved. The banks also

LDC exposure of UK clearing banks (£bn)

| | 1988 | 1987 |
|---|---|---|
| Barclays* | [illegible] | [illegible] |
| Lloyds | [illegible] | [illegible] |
| Midland | [illegible] | [illegible] |
| NatWest | [illegible] | [illegible] |
| Standard Chartered | [illegible] | [illegible] |

*Excludes lending to South Africa, and short-term loans

had to lend more money to Brazil as part of that country's rescheduling package.

The banks maintain that the underlying trend is down. Midland, for example, says that its "provisionable exposure" (the loans against which it has had to make provisions) fell by 3 per cent or about $235m. "Our key aim is to limit risk to the bank," says Mr Jacques de Mandat-Grancey, who heads Midland's developing countries' division. Barclays quotes a figure of $808m, Lloyds $500m, and NatWest $100m.

Broadly, the banks are active on several fronts. Aside from the routine rescheduling work that has dominated Third World debt management for many years, they also trade loans in the secondary market and convert them into equity investments in the indebted countries.

Loan trading enables banks to improve the structure and quality of their exposure by switching between maturities, or between public- and private-sector loans. In some cases it also enables them to sell out of a country altogether: all the clearers are trying to reduce the number of countries with which they are involved.

However, the secondary loan market is notoriously fickle and the volumes traded by the clearers have not been all that large. To some extent this reflects the fact that the clearers are not distressed sellers. "Barclays is not holding a fire sale," says Mr Jolyon Larkman, the bank's international banking director, who says other banks appear to have sold off loans at prices that Barclays "would not feel to be appropriate."

Similarly, with conversion of debt into equity investments, volumes have been small because opportunities are few. The number of deals done by the banks is in single figures, some of them conversions into equity in industrial companies, others capitalisation of the banks' own operations in Third World countries.

"Wa look at large projects with reputable partners where we can maximise our returns," says Mr de Mandat-Grancey.

Lloyds Bank set up its debt management group in December 1987. It has done three debt conversion deals, all of them small, says Mr Tony Davies, general manager for international banking.

Standard Chartered's greater success in bringing down the numbers stems partly from the big role it plays as a dealer in the secondary debt market. Last year, the group turned over $4.8bn of Third World debt, about 10 per cent of that on behalf of the bank itself.

If debt management is successful it should not only cut the loan exposure but also enable banks to recover some of the substantial provisions they have made against them. So far, however, the banks have ploughed back freed provisions to increase coverage on other loans. Although all the banks say they would like to generate a greater profit from their Third World loan portfolios, anything of this kind that comes their way is viewed as a side benefit.

While Barclays, for example, receives fees from its secondary market trading and can also try and enhance the value of its loans, these are subordinate to the aim of reducing exposure, says Mr Larkman.

Midland, the only clearer that reports results for its developing countries division, said it made a pre-tax loss of £3m last year.

Trading so far this year has been sluggish, mainly because tha secondary debt market is waiting to see whether anything comes of the initiative by Mr Nicholas Brady, the US Treasury Secretary, to encourage debt reduction. However, bankers are, on the whole, sceptical – critical even – of its lack of detail.

Because of this they say it is hard to predict by how much they will be able to redoce exposures this year, although most of the clearers hope at least to repeat last year's numbers. Mr Larkman at Barclays says a bank can set itself target rednction numbers, but should not tie them to a timescale because of market uncertainties.

# Japan's banks meet rules on capital adequacy early

By Stefan Wagstyl in Tokyo

SEVEN OF Japan's top 16 commercial banks have already exceeded international standards for capital adequacy to be imposed from 1992.

The remaining nine expect to beat the deadline with time to spare. The new code was brought into effect after complaints from Western banks that lax Japanese rules gave domestic banks an unfair advantage. In practice, most Japanese banks have had little trouble raising the huge amounts of extra capital needed to meet the new standards for capital adequacy ratios – ie, the ratio between capital and total assets.

This new capital is added to the capital already in the bank including, among other things, the latent capital gains held in bank stock holdings, which are often valued in the balance sheet at cost but which are worth much more.

The table shows capital adequacy ratios, according to BIS post-1992 standards, and latent profits from stock holdings.

LEADING BANKS' CAPITAL ADEQUACY RATIOS

| | Ratio (%) | Latent profit* (Ybn) |
|---|---|---|
| CITY BANKS | | |
| Dai-Ichi Kangyo | 8.2 | 4,350 (3,760) |
| Sumitomo | 8.3 | 3,500 (3,150) |
| Fuji | 8.3 | 3,850 (3,340) |
| Mitsubishi | 8.4 | 4,060 (3,700) |
| Sanwa | 7.8 | 3,600 (3,100) |
| Tokai | 7.7 | 2,700 (2,300) |
| Mitsui | 7.3 | 2,900 (2,510) |
| Taiyo Kobe | 7.6 | 2,200 (1,850) |
| Daiwa | 8.8 | 1,600 (1,300) |
| Kyowa | 7.9 | 1,741 (1,446) |
| Hokkaido Takushoku | 7.2 | 900 (800) |
| Bank of Tokyo | 7.0 | 1,660 (1,460) |
| LONG-TERM CREDIT BANKS | | |
| Industrial Bank of Japan | 9.2 | 5,300 (4,300) |
| Long-Term Credit Bank | 7.0 | 3,820 (3,183) |
| Nippon Credit Bank | 7.2 | 2,000 (1,700) |

*Previous year's figures in brackets
Sources: companies and industry estimates

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wednesday May 31 1989

Figures in parentheses show number of stocks per section

[illegible]

### FIXED INTEREST

PRICE INDICES — AVERAGE GROSS REDEMPTION YIELDS

[illegible]

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 0 | 104 | 2 |
| Corporations, Dominion and Foreign Bonds | 0 | 22 | 20 |
| Industrials | 195 | 660 | 720 |
| Financial and Properties | 65 | 252 | 339 |
| Oils | 16 | 44 | 38 |
| Plantations | 0 | 2 | 10 |
| Mines | 24 | 48 | 105 |
| Others | 35 | 130 | 91 |
| Totals | 335 | 1,262 | 1,325 |

### LONDON RECENT ISSUES

EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

### LONDON TRADED OPTIONS

RACAL ELECTRONICS caught the eye among individual stocks on the London Traded Options Market yesterday, attracting 2,107 contracts, in spite of expiry day in the May FT-SE 100 index option bringing substantial index business.

[illegible]

Index itself lost 15.6 points on the day to 2,144.4, as business in the future contract on the London International Financial Futures Exchange was, if anything, mildly depressing for it.

[illegible]

and an opening of no less than 1,240 on the put, to 62,742.

The most striking feature of index options trading was that there were 1,233 contracts handled in the June 2,100 puts, bringing a movement in open position of only 160 contracts, upwards, to 3,621. The put series saw a general opening of interest.

British Gas, despite the attention given to Racal, was the most heavily traded of the individual options stocks, finding business of 2,336 contracts, consisting of 1,036 calls and 1,300 puts, with the September 180 calls, and the June and December 180 puts seeing particular attention.

British Telecom, Grand Metropolitan and Trusthouse Forte also saw fair activity.

[illegible]

## UK COMPANY NEWS

# Goldberg falls sharply into losses of £2.92m and cuts dividend to 3p

By Maggie Urry

MR MARK Goldberg, chairman of A Goldberg & Sons, the fashion retailer, yesterday revealed "with regret" the group's first loss in 50 years as a public company.

A 68 per cent cut in the final dividend to 1.55p is proposed.

A new strategy, attempting to differentiate the shops and offer exclusive merchandise designed in-house, thus raising margins, is currently being implemented.

Mr Goldberg blamed a number of adverse factors which combined to cut sales volumes at a time when the group was expanding.

The loss before tax was £2.92m in the year to March 25, compared with a profit of £3.23m, which included a £1.1m profit from the credit card business sold last year.

Charterhall, the investment company which has a 29.9 per cent stake in Goldberg and is headed by Australian businessman Mr Russell Goward, said: "The figures demonstrate a clear failure of Mr Goldberg's strategy and he should acknowledge this by resigning at the annual general meeting."

From today Charterhall is free to bid without any restriction on the price it could offer. Its average buying price is

Russell Goward — call for Mr Goldberg to resign at the agm

195p, excluding carrying costs. Goldberg's shares closed yesterday down 3p to 162p.

Goldberg had warned in February that the group was unlikely to make a profit for the year but hoped that the final dividend could be maintained at 4.18p.

Mr Goldberg said yesterday that in the last five weeks of the year "trading was significantly poorer than anticipated".

He said the group had to cut the dividend to a sustainable level. The total for the year is 3p, down from 5.5p.

He said group sales rose by 15 per cent to £59.18m, but the increase came from new shop openings which had brought higher costs.

The company had had a volume-led strategy. In mid-November the market for fashion clothing had worsened as interest rates rose, too many shops offered similar goods, the warm winter weather put off purchasers and competitors cut prices to try to drum up trade.

Stocks had been too high at Christmas. Mr Ian Steven, finance director, said by the financial year-end stock levels had been brought down to £509,900 below the previous balance sheet figure.

The company now recognises "the way forward is not in volume", Mr Goldberg said. The acquisition in February of Personal Contact Group, which launched the Ted Baker shirt shop chain jointly with Goldberg, had brought in expertise in both design and sourcing, he added.

A redesign of the merchandise in Wrygges, Goldberg's young fashion chain, had begun, said Mr Ray Kelvin, group product development director.

Mr Steven said a cost-cutting programme had been instituted, merging the buying and marketing activities of the different divisions, which will save £2.5m in the current year. Further savings are expected, he said.

Mr Goldberg said the group planned to exploit its property assets.

Two freehold stores offered redevelopment potential and could be worth twice the £6.5m book value.

The loss per share was 11.1p, compared to earnings per share of 12.1p.

**● COMMENT**

Goldberg's original strategy may well have been right in all but timing — which was disastrous. Smaller fashion retailers like Goldberg could not hope to escape the recent bloodbath in their market. Corrective action has been swift, though, and the new strategy makes sense though much depends on the group's ability to make it work. There are reasons to stick with the shares, though hopes of a bid from Charterhall may not be the best of them. The property potential adds spice and, even without that, assets are worth about 130p a share. The bad news is known and a return to profit is probable in the current year, though perhaps not the first half.

# Troubled Global to raise £4.2m

By David Waller

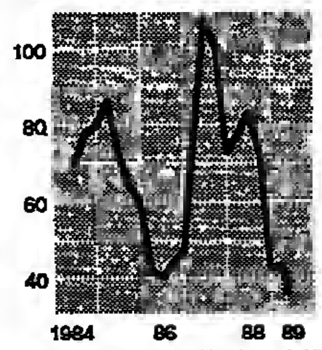
GLOBAL GROUP, the troubled wholesaler and manufacturer of meat and meat products, is bolstering its balance sheet with a £4.2m cash injection — £1.32m of this to be raised via a rights issue and the balance from a consortium of new investors.

Details of the balance sheet bolstering exercise came as the company reported a pre-tax loss of £932,000 for the six months to the end of last November. This compared with a profit of £277,000 in the first half of the previous year, and followed on from a dividend cut in November when the full year result indicated a sharp trading downturn.

The company blamed the continuing losses on problems at two subsidiaries: Global France, a meat exporting company which has found itself exposed to sizeable bad debts in Francophone West Africa, and Hereward Foods, a UK-based supplier of frozen meat products.

Global Group

Share price (pence)




The company said that it had taken tough measures to stem the trading losses, and more would follow. Hereward's 5.3 acre freehold site at Spalding would be sold and the factory closed down. This has given rise to an extraordinary charge of £500,000, taken in the interim figures.

Global France would now be sold or closed down, said Mr Colin Cooper, finance director, yesterday. It was now considered highly unlikely that some £500,000 owed to tha group from a major customer in the Ivory Coast would be recoverable.

The company believes that the combination of these rationalisation measures plus an injection of cash will put the group ou a sound footing for the future. The fund raising will meet the company's urgent working capital requirements and repay borrowings.

The rights issue is on the basis of two new shares at 10p each for every share held; in addition to this, a consortium of investors headed by Mr Michael Shafran, a director of Henderson Crosthwaite, will subscribe for 15m new shares at the same price, giving them 30 per cent of the company.

Mr Michael Shafran will become chairman and two new non-executive directors will join the board.

Turnover for the six month period was £32m (£23.5m); the loss per share was 14p against a 3.1p profit. There will be no interim dividend.

The shares closed up 6p at 42p.

# WPP thought to be poised for UK acquisition

By Nikki Tait

MR MARTIN SORRELL's WPP Group, which is currently in the throes of an $864m recommeuded offer for the New York-based Ogilvy Group, is thought to be poised to announce a much smaller acquisition in the UK.

Speculation that Coley Porter Bell, a privately-owned brand and corporate identity design company, might be set to join the WPP fold has circulated for some time.

The deal is now understood to be very close to completion and is likely to be announced shortly. Coley Porter was founded in 1979, and operates from Covent Garden, in London.

Any deal is likely to be structured on an "earnout" basis — where the purchaser pays an initial amount at the outset and then makes further payments which are based on subsequent profit performance of the company acquired.

A maximum purchase price slightly in excess of £12m seems likely for Coley Porter.

The deal would be the first announced by the highly-acquisitive WPP Group since the negotiation of its recommended bid for Ogilvy.

Having been formed initially as a below-the-line marketing services company — before acquiring the J Walter Thompson advertising business in 1987 through a $566m bid — WPP already takes in significant corporate design interests.

# Plysu profit declines 3% in second half

By Vanessa Houlder

A SHORTAGE of raw materials, a surge in interest charges and a downturn in demand held back pre-tax profits at Plysu, maker of plastic containers and housewares. They rose 5 per cent, from £6.51m to £6.82m, for the 53 weeks to April.

After a 12 per cent rise to £3.65m (£3.25m) in the first half, profits declined by 3 per cent in the second half.

Turnover for the year rose by 16 per cent to £54.49m (£46.84m). In the fourth quarter the company experienced a sharp downturn in demand for containers and, to a lesser extent, housewares which it blamed on the effects of higher interest rates.

There were some signs of improvement in the container market although the situation was far from buoyant.

Housewares had a good year until the recent decline in activity. Sales were expected to increase with the introduction of a new range of products with increased unit values.

Plysu continued to be hit by the shortage of high density polyethylene, which has led to sharp price rises and supply problems over the past two years. It experienced a price rise of 10-15 per cent last year, which was not fully passed on to customers. It also suffered efficiency problems as a result of using material of inconsistent quality.

Sales in the Netherlands were flat at £4.65m (£4.64m) after a difficult year with particularly sharp rises in raw material costs combined with upheaval from a factory move.

Interest charges increased from £247,000 to £854,000. Capital expenditure during the year amounted to £12.16m. The company said it was entering into a year of consolidation which would see lower capital expenditure.

The tax charge fell to 27 per cent as a result of the investment programme. Earnings per share rose from 9.9p to 11.5p. A final dividend of 2.05p gives a total of 2.85p (2.8p) - an increase of 24 per cent.

**● COMMENT**

In the short term, Plysu's trio of problems - raw materials, interest charges and demand - are likely to continue to depress its performance. It has received a heavy buffetting from the shortage of polyethylene, which resulted in production inefficiencies and the loss of some customers to glass and tin. Interest costs will remain a burden even though it has reigned in capital spending. And although the destocking effect experienced at the start of the year has eased, demand is still subdued. But although profits are likely to be flat in the first half, the outlook seems fairly encouraging in the longer term. The notoriously cyclical polyethylene market is shifting from shortage to surplus and promises to be in balance at the year end. The resulting freedom from supply problems will allow its efficiency to improve sharply - a trend that will be reinforced by the fruits of its expansion programme. After a steep fall in recent months, the share price yesterday sunk a further 6p to 137p. Assuming it makes profits of £7.5m for the full year, that puts it on a realistic p/e of 12.

# Cadbury poll to lift borrowing powers

By Lisa Wood

CADBURY SCHWEPPES will today announce whether it has won the support of a majority of its shareholders to raise its borrowing powers to £1.7bn.

General Cinema, the diversified US group which holds a 17 per cent stake in Cadbury, made a demand for a poll of shareholders when Cadbury sought to increase its borrowing powers at its annual general meeting.

The poll was held yesterday with the special resolution requiring the backing of 75 per cent of all votes in order to be approved.

Cadbury said the hurdle was high, but it had no indications that any institutional shareholders were going to vote against the proposal. Institutions hold about 69 per cent of Cadbury's equity and private shareholders some 14 per cent. General Cinema said when it unexpectedly blocked the special resolution earlier this month that it would vote against the resolution in the poll.

Cadbury has current borrowings of about £140m. It has been seeking to raise its debt limit to about £1.7bn, or 2.5 times adjusted shareholders' funds, from the current level of £700m, which is 1.5 times shareholders' funds.

**UK COMPANY NEWS**

# All-round growth gives Dunhill £10m increase

By Clare Pearson

PRE-TAX profits of Dunhill Holdings, luxury consumer products group where Rothmans International holds 55.38 per cent of the shares, marched ahead from £35.22m to £45.5m *in the year to the end of March 1989.*

All three operating units, which bear the brand names Alfred Dunhill, Montblanc, and Chloé, contributed to the strong performance of the group, where smoking-related products now account for only about 3 per cent of profits.

Turnover was £194.41m (£164.79m). Earnings per share rose 30 per cent to 16.9p (13p) while the final dividend is being raised to 2.5p, making a total of 3.75p (2.7p) for the year.

Net cash, mostly invested in UK money-market instruments and government securities, increased by £18.2m to £94.7m during the year.

Mr Sior Pendle, managing director, *said there were still* no acquisitions on the horizon given the high prices being asked for complementary businesses, and Dunhill's reluctance to buy a company that would need to be turned around, as Chloé, the French couture house bought in 1985, had to be.

Last year, the benefits of long-running reorganisation measures showed through in a first-time positive result from *Chloé, which aside from couture* is widely-known for its perfume manufactured under licence by Fabergé.

Watches, clothing and leather goods continue to lead the growth within the Dunhill range of products for men. Extension of the Masterpiece range of chunky black writing instruments helped Montblanc strengthen its position as world leader at the top end of that market.

Mr Pendle said current trading was still very good, with a continuation of the 1988 trend where roughly flat sales in Europe contrasted with strength in the US.

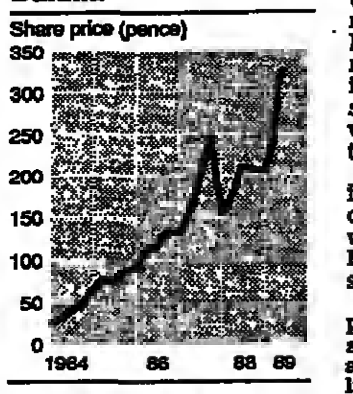
There is no breakdown of profits, which are derived from a complicated mix of retailing and wholesaling sources and licensing fees. However, Mr Pendle said total sales by retail value amounted to £390m for Dunhill, £160m for Montblanc, and £140m for Chloé.

The sales split was roughly the same as in 1987-88, with the Far East absorbing 43 per cent, the Americas 26, Europe 21, and the UK 10.

*Rothmans raised its stake* from 50.6 per cent in January at a price of 230p per share; yesterday they closed at 320p.

See Lex

**Dunhill**




# MBS in talks on break-up sale

By John Ridding

*MBS, the computer dealer* which plunged into losses in 1988, is holding talks concerning the sale of its remaining businesses following the proposed disposal of its core product sales division through a £28m management buy-out.

Mr Owen Williams, chairman, would not confirm that talks were taking place but said: "In the shareholders' interests I would be obliged to consider any bid offering tomorrow's share price today."

The businesses which are the subject of the bid speculation comprise three main activities – maintenance and engineering, education and training, and specialist communications services. In 1988, they returned profits of £1.6m *on turnover of £14.2m.*

The potential bidders for the businesses include Granada Computer Services, Hillsdown Investment Trust and Atlantic Computers, the British & Commonwealth Holdings subsidiary. Mr Michael Teacher, a HIT director, denied the company was involved in negotiations but said that he could understand interest in MBS' computer services.

In addition, a number of companies from outside the sector are interested in acquiring the businesses as a cash-rich listed vehicle.

The assets involved in the running of the services division are only about £3m. However, after any disposal of the product sales division, the remaining businesses will hold cash of about £14m after repaying debts of £6m.

Additional payments, possibly about £5m, may be received from the disposal of Microtex, the company's loss-making Altos distributor.

Analysts were unclear about how high a bid would need to be pitched but one said that he thought 50p per share was at the top end of the range, compared with today's price of 40p. *At 50p per share the company* would be valued at £50m.

The proposed break-up of MBS reflects the group's fall from profits of £5.2m in 1987 to pre-tax losses of £14.1m in 1988. This dramatic decline reflected the slashing of margins in the sector following IBM's decision to expend the number of its distributors from two to eight. MBS, with over 60 per cent of revenues coming from IBM sales, was hit particularly severely.

The losses were concentrated in the product sales division and in response, MBS decided to focus on the less volatile and more profitable computer services area and achieve a capital injection through a policy of disposals.

A number of investors in MBS have expressed concern with the buy-out plan. However, Mr Williams said yesterday that he had recently seen the group's major shareholders and most were supportive.

# Resignation call as Meat Trade profits drop

By Nikki Tait

MEAT TRADE Suppliers, a small quoted company which trades in sausage casings and butchers' sundries, *yesterday* unveiled reduced profits before tax in the nine months to end-December, and said that it would not be paying any interim dividend.

It also posted a circular to shareholders in which M&G, Britain's largest unit trust group, is calling for the removal of Mr WC Anstis, the former chairman who remains a director. M&G owns around 18.5 per cent of the group.

The company suspended its shares on March 23 at the Stock Exchange's request, and there has been some shareholder agitation over the length of the suspension and the lack of dividend payment.

The company's bank advisers, Lloyds Merchant Bank, *said the company was still* considering a number of proposals for its future – despite the latest trading news.

There has been speculation that such proposals might take the form of some sort of reverse takeover, or injection of assets. However, the advisers declined to comment.

They did, however, say that Mr Anstis, who was replaced as chairman by his daughter Mrs V Allen last year, "is resisting any form of deal whereby the company changes its spots." They suggested that it was this opposition which lay behind the institutional move. No one at M&G was available for comment.

The company itself said that the figures, which show a pre-tax profit of £36,000 in the nine months compared with £72,000 in the previous six month period, were "extremely disappointing". It added that they resulted from low morale and a lack of capital expenditure – representing part of "a long, slow decline". Sales were £3.38m, and earnings per share 1.3p.

The bank said the shares were likely to remain suspended until the group's future was resolved. This could be well after the extraordinary meeting on June 16 at which Mr Anstis' removal is being proposed.

# Lured by the cut of its diamonds

## Philip Coggan on Epicure's bid for Habit Precision Engineering

GRANTHAM may have leapt into the national consciousness over the past ten years but while it may be well-known for producing prime ministers, it is not renowned for its corporate raiders.

But now a *Grantham-based and Swedish-run company* called Epicure is in the middle of a hostile £8m bid for Habit Precision Engineering, a diamond tooling and engineering group which is recovering from a costly diversification.

The bid's first closing date tomorrow looks unlikely to provide a flood of acceptances for Epicure's offer. Habit's shares are trading at 69p while the Epicure offer (two of its shares for every one in Habit) is currently worth 63½p per share, with a cash alternative just ½p higher.

Habit, which recently brought in a new chairman, accountant Mr David Willetts, has dismissed the offer as "totally inadequate." After losses last year, Habit has fore*cast* pre-tax *profits of £1.25m* for the year to September 30 1989, based on operating profits of £1.9m.

Last year, the bulk of Habit's operating profits came from the diamond tooling division, which sells cutting equipment to a variety of industries. Diamond tooling has been Habit's main business ever since it was reversed into the then Cheltenham and Gloucester Greyhounds in late 1976.

For a few years, the group was controlled by Mr Graham Ferguson Lacey, the evangelist financier, but it only really started to expand in 1984 through a series of acquisitions. At around the same time, Habit made its big mistake. It decided to fund a greenfield operation, Crosby Disks, manufacturing computer substrates.

For a while, Crosby Disks was seen as the potential crown jewel within Habit, offering huge profits in the long term. But problems in the US market and the decline in the US dollar pushed Crosby into operating losses of £1.2m last year and Mr Willetts took the decision to close the busi*ness down, causing provisions* of £2.5m.

The Crosby problems forced the company to pass its final dividend and left the company with borrowings in excess of shareholders funds. Habit is currently considering ways in which its deficit on the revenue reserves can be eliminated and it can resume dividend payments.

All these problems depressed the Habit share price – it nearly halved in the last six months of 1988 – and made the company vulnerable to a takeover. Epicure duly emerged with a bid and an 11.4 per cent stake (since increased to 14.9 per cent) in April.

Epicure's offer is not primarily based on industrial logic but it has produced commercial arguments for the takeover. It argues that Habit's diamond tooling business and its own woodworking tooling operations share the same customers. Epicure also points to the fact that in its defence document, Habit says it is developing diamond woodworking tools. However, Mr Willetts says that the overlap covers a very small area of the Habit's business.

The main justification for the bid is the "experienced management team" that Epicure claims it can bring to Habit. That team consists of Mr Hakan Hammarqvist, an 45-year-old economics graduate, who founded Kurdia, a Swedish engineering group, in 1978 before reversing it into Epicure in 1985, Mr Carl-Ake Jansson, a consultant who joined Kurdia in 1982 and Mr Malcolm Callow who was formerly Epicure's finance director.

Before Mr Hammarqvist arrived in 1985, Epicure was a loss-making construction services, hotel and property company, run by Mr Reg Brealey who has since appeared at such stock market favourites as Scottish Ice Rink (1928) and Titaghur Jute Factory.

Mr Hammarqvist took the sensible step of getting all the bad news out of the way early on. In the year to June 30 1985 he made £2.26m of provisions against potential closure and disposal costs and the group made an attributable loss for the year of £2.26m.

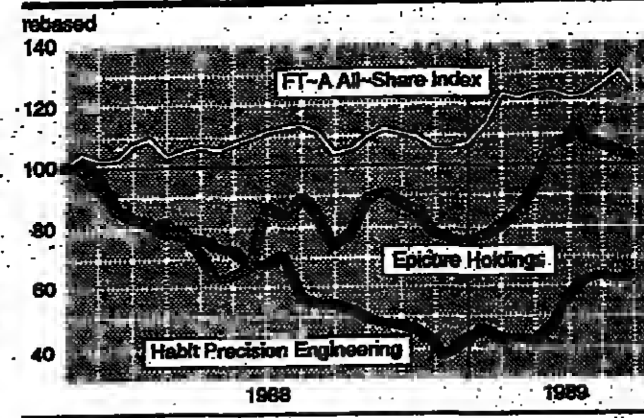
Since then, with a series of acquisitions (in both Sweden and the UK) and a recovery in the original Epicure construction business, Epicure profits have steadily risen from £712,000 in 1986 to £1.26m in 1987 and £2.35m last year.

Epicure now has three main divisions – marine piston ring manufacturing, cutting tool manufacturing and construction industry services. But Mr Willetts says he finds it hard to understand Epicure's industrial strategy which he says consists of "geographically diverse businesses in sectors varying from pistons to property."

However, Mr Hammarqvist argues that the combined group, which would have five "legs," would be all the stronger for being diversified.

Mr Willetts wants an independent Habit to concentrate on two businesses – diamond tooling and engineering. He plans to sell off the Doric bedsprings business and the Walton Jigs & Tools engineering sub-contractor.

As a new chairman, he might be expected to be granted a "honeymoon period" by investors, and the Epicure offer, which was pitched below the Habit trading price on the day the bid was launched, looks like a sighting shot. On the forecast earnings per share figure of 5.9p, the Epicure offer values Habit on an exit p/e of just 11. A higher bid might give the "Grantham raiders" a good chance of success.




# GEC/Siemens agree to buy no further Plessey shares

By Terry Dodsworth, Industrial Editor

THE GENERAL Electric Company of the UK and Siemens of West Germany have agreed to further restrictions on buying Plessey shares as a condition for continuing negotiations on the terms of a further bid for the UK electronics group.

The agreement, made with the Office of Fair Trading, followed the formal ending yesterday of a 40-day bar on the two companies purchasing more than 15 per cent of Plessey's equity.

During the 40 days, the GEC/Siemens consortium has been negotiating complex undertakings designed to ensure that UK military secrets within Plessey would remain in British hands in the event of a successful takeover. They have also been trying to meet other requirements set by the Monopolies and Mergers Commission.

Hopes that these agreements would be completed before the end of the 40 days have foundered because of the legal complexity of the undertakings, which will set a precedent in UK takeover processes.

The OFT said GEC/Siemens had now given a voluntary commitment to abide by the conditions of the 40-day ruling while talks continued. While this new agreement was for an indefinite period, the OFT added that it was unlikely that such an open-ended deal would have been made were the negotiations not approaching a conclusion.

The extension will be a further irritation to Plessey, which has complained vociferously about the length of time it has had to operate under the uncertainty of a takeover bid. Mr Stephen Walls, managing director, has argued that more stringent time constraints should be placed upon bidding companies to prevent undue damage to the continuing activities of target groups.

# Latest Lyon suitor was rejected a month ago

By Clay Harris

THE LATEST bid approach to Lyon & Lyon, announced on Tuesday, came from the same mystery suitor whose advances were rejected by the Yorkshire-based motor dealer early in May.

This time, by suggesting a higher price than previously, the unnamed company appears to have cleared at least one hurdle. Discussions between the two parties are likely to be held shortly, after preliminary talks between their advisers.

Mr John Illingworth, managing director of Lyon, said yesterday: "I don't think the logic is unreasonable." The outcome would probably depend on the price being improved.

There was still no evidence that the potential predator – a listed company – had bought any shares in Lyon, he said.

Lyon shares added another 5p to 335p yesterday, putting a market value of £10.7m on the company.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Cap Leasing § | fin | 0.57♣ | July 26 | - | 0.57 | - |
| Dunhill | fin | 2.5 | July 20 | 1.8 | 3.75 | 2.7 |
| Elswick | fin | 0.3 | - | 0.3 | 0.45 | 0.3 |
| Goldberg (A) | fin | 1.55 | July 14 | 4.18 | 3 | 5.5 |
| Plysu | fin | 2.05 | July 20 | 1.65 | 2.86 | 2.3 |
| Sandell Gp § | int | 1.7 | - | - | - | - |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish currency.

# Varley attacks Anglo's plans for Coalite

By David Waller

Coalite Group, the Derbyshire-based company which is facing a £427m cash bid from the much smaller Anglo United, has responded to Anglo's offer document with a claim that the bidder was attempting to make money at the expense of Coalite's shareholders by buying Coalite cheaply and breaking it up.

In a letter to shareholders, Mr Eric Varley, Coalite's chairman, urged that Anglo was in no position to pay a fair price. "With tangible net assets of only £25m at April 5 1988 it is having to borrow virtually all the money for the bid. The banks will not lend enough to pay full value because they require cover for their loans."

Anglo "could not afford to keep many of Coalite's fastest growing businesses and is thus being forced into a policy of asset stripping, which it tries to make respectable," he said.

The central argument behind Anglo's bid is that Mr Varley has neglected Coalite's core businesses in smokeless fuel manufacturing and fuel distribution and has wasted time and money in developing businesses such as quarrying and waste management.

Anglo would like to put together the two companies' core activities. The other businesses would be sold off to reduce Anglo's borrowings.

Anglo responded to the letter by criticising its target's growth record in recent years. Earnings, it claimed, had grown at only 2 per cent a year over the last three years if inflation is taken into account.

The bidder pointed out that its offer was pitched at a 29 per cent premium to share prices prevailing in January, before Coalite's shares were boosted by takeover speculation. Yesterday the shares fell 5p to 444p, against the offer price of 425p per share.

*Around the world, around the clock, a one-stop source of strong, vigorous and innovative international financial services.*

# Tokyo Capital Market: Where Does the Money Flow?

*President Tsugio Yukihira*

**Yamaichi, a leading participant in the Tokyo capital market, is preparing to serve the newly integrating world under its new president, Tsugio Yukihira. Here is how Yukihira and Yamaichi see the dynamically evolving Tokyo capital market and its global interactions.**

Supported by a robust domestic economy and encouraged by the impressive pace of deregulation and internationalisation, the Tokyo capital market has become the strongest in the world. It has achieved steady growth and expansion in terms of size, products and market participants, since the 1970s.

The dominant features of this market's strength are excess liquidity and low interest rates. Japan's household sector savings rate will continue to hover around 14%—15% of disposable income. According to the Bank of Japan, aggregate personal financial assets had already reached ¥800 trillion ($6.4 trillion) by June 1988. This was more than double the country's GNP.

The corporate sector as a whole will continue to require funds, although some of the blue-chip companies are self-financing. The government sector, the largest borrower in the past decade, is restoring its fiscal balance and reducing its fund-requirement. Taken together, corporate and government fund requirements cannot fully absorb the household sector's savings.

Consequently, Japan's surplus will continue well into the mid 1990s. Added to this domestic capital formation, returns on the colossal $320 billion in foreign investments are flowing back to Japan, exacerbating the country's surplus situation.

This will have two impacts. One is that Japanese money will continue to flow abroad and another is that Japan's interest rates will remain very low. For non-Japanese borrowers and investors the implications are clear. Better understanding of future financial developments begins with greater knowledge of the Tokyo market.

### The Global Flow of Japanese Investment

Japan's net foreign credits increased 16-fold from 1981 to present, an indication of the magnitude of Japan's capital formation and monetary outflows. The recycling of these funds contributes to the continued growth of the world economy.

Yamaichi Research Institute forecasts that Japan's net foreign credits will reach $600 billion by the mid-1990s. The surplus is concentrated in the private sector, which has tended to invest in U.S. securities.

The massive unrealised losses from both foreign exchange and bond price fluctuations since the Plaza Accord have changed the investment strategies of Japanese institutional investors, particularly after Black Monday.

Investment in ECU, sterling, Australian-dollar and Canadian-dollar bonds have increased remarkably, and equity investment has also risen.

This change does not mean, however, a halt to the flow of Japanese funds to the United States. Indeed, in the next seven to eight years the United States is sure to remain the favoured destination for Japan's offshore investments. Even ignoring the four percent differential in long-term interest rates, the strong tendency toward U.S.-Japan economic integration and the size of the U.S. market, so well suited to the enormous appetites of institutional investors, will certainly encourage Japanese fund managers to continue to invest heavily in U.S. securities.

### Foreign Direct Investment in Japan Now a Reality

Foreign investment is not confined to portfolio investment, which grew by seven-fold for equities and 10-fold for bonds from fiscal 1981 to fiscal 1987. Yamaichi takes the position that foreign companies will make more direct investments in Japan, including the area of basic research. Despite the highest wage levels in the world, Japan features the excellent technicians and quality control essential for long-term competitiveness. Already, wholly owned foreign subsidiaries in Japan are doing extremely well. In fiscal 1987, IBM Japan's reported profits ranked 14th among Japanese firms, and according to articles in the press, Coca Cola Japan's recent annual earnings were higher than its parent company.

Some of these wholly owned subsidiaries of foreign companies are also exporting. Others will soon follow them to produce more in Japan, sell there and export.

The newcomers will likely pursue merger and acquisition activities, despite tax complications and psychological resistance still to be overcome. Fortunately, Yamaichi pioneered mergers and acquisitions in Japan, and with its traditional strength as fund-raiser for the corporate sector, it is in a very favoured position to assist foreign companies seeking tie-ups with Japanese firms.

### The Yen as an International Currency

Despite the global nature of the Japanese economy and the influence it exerts on the world, the yen's role as an international currency is still insignificant. Its share in world trade is a mere two percent and its share in reserves held by foreign monetary authorities is only around eight percent.

One of the reasons the yen is not internationalised has been attributed to the absence of mature short-term markets in Japan. Foreigners have not been able to manage their yen funds in the short-term, even if they wanted to hold the yen.

The official discount rate has been used to adjust market rates, as private banks borrowed mainly from the central bank. This, of course, has sharply differed from the United States, where the official discount rate follows the market rates.

Presently, the Finance Ministry is increasing the issuance of six-month TBs. An increase in treasury bills both in variety and volume, should help enlarge the short-term markets.

### Innovation: More and More, It's a Matter of Information

At the centre of much of today's financial innovation is the need by international borrowers to easily convert procured funds into their own national currencies, or at least U.S. dollars, through several intermediate currencies. Yamaichi sees its task in this area as rapidly and efficiently meeting clients' needs with timely information and new, more efficient instruments.

Japan's largest institutional investors are demanding something new—high return, low risk instruments in enormous quantity.

As a financial intermediary, Yamaichi is strengthening its information network and its understanding of the monetary and financial environments and policies of its clients. This effort has resulted in some important innovations, in anticipation of what Yamaichi sees as an emerging new reality for the financial industry.

To put it simply, no single company will be able to dominate all areas of the business. The trend is for a company or an institution to excel in one, or at most a few areas. Only by such specialisation can a firm hope to provide a level of service and, more important, expertise, sufficient to meet its clients' needs.

### Computerised Investment Analysis

The sweeping globalisation of financial activities has led to the fast growth of 24-hour markets, which has overwhelmed investors with a crush of information.

Because the number of potential products has now expanded to include not only stocks, but also futures and options, analysis and efficient management of this complex range of instruments from among several world markets requires highly sophisticated financial technology—for scientific analysis of risks and return on assets.

Moreover, the sheer size of many institutional investors' portfolios no longer makes it possible for them to rely on conventional methods. Computerised management systems, which can give objective judgement and volatility (risk) control to investors, are now strongly pursued.

In order to cater to these diversified needs, Yamaichi has recently introduced a number of computerised systems, the prime ones being the Integrative Stock System (ISS) and the Integrative Bond System (IBS), developed jointly with Global Advanced Technology Corporation (GAT), a New York-based company established in 1987 for the application of advanced financial theories. More than 200 institutional investors worldwide are already using these systems.

### Channelling Foreign Investment

There has been a mounting trend worldwide of moving production bases to or near major markets. Manufacturers everywhere are particularly keen to participate in an integrated European Community.

The role of the Japanese securities firms in this accelerating transfer of capital is gaining importance. Japanese companies moving to relocate their production base seek strategic information on where they should go, with whom they should tie-up locally, and how they should procure funds—including local money—that they will require. The expertise Yamaichi has built over past years from assisting its corporate clients' direct investment is increasingly appreciated and sought after.

To meet the rapidly growing needs of Japanese firms for globalisation, and at the same time promote international transactions, Yamaichi's M&A Department has its own presence in Europe and North America.

Yamaichi is a forerunner in this field with expertise accumulated from over 15 years of experience. Its traditional strength in the corporate sector is one factor that has made the Yamaichi Group a leader in this business. Independence from any of Japan's large business and financial conglomerates allows the company free movement, influenced by no one.

With a strong belief that only friendly M&A can best serve a company's long-term management strategy, Yamaichi has been committed to developing M&A transactions on the basis of congenial negotiations, in both domestic and international markets.

Whether it be in underwriting, portfolio investment or international direct investment, Yamaichi, under its new president, is aiming at providing the highest levels of financial information services in the era of global diversification.

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**Yamaichi Securities Co., Ltd.:** 4-1, Yaesu 2-chome, Chuo-ku, Tokyo 104, Japan Tel: 03-276-3181 Telex: J22505 YAMAYORK
**Yamaichi International (Europe) Limited:** 111-117 Finsbury Pavement, London, EC2A 1EQ, U.K. Tel: 01-638-5599 Telex: 887414/8 YSCLDN G
Amsterdam, Frankfurt/Main, Paris, Zurich, Geneva, Lugano, Milano, Madrid, Bahrain, New York, Chicago, Los Angeles, San Francisco, Montreal, Toronto, Hong Kong, Singapore, Seoul, Beijing, Shanghai, Sydney, Melbourne

# UK COMPANY NEWS

## Plaxton pays £47.8m for Henlys motor dealers

By John Griffiths

PLAXTON, the Scarborough-based coach-manufacturing and vehicle sales and finance concern, is buying the Henlys motor dealer chain for £47.8m.

The all-cash purchase forms part of a strategy under which Plaxton aims to become one of the UK's largest car and commercial vehicle retailing and distribution groups, chairman and chief executive Mr David Matthews said yesterday.

Dealings in Plaxton's shares have been suspended pending the deal's expected approval at an extraordinary general meeting on June 26.

The Henlys takeover follows by a few months Plaxton's purchase from Fiat of a French-based coach-making subsidiary, Carrosserie Lorraine, as part of no-less ambitious moves both to establish a presence for itself in the coach markets of continental Europe and to diversify into production of a wide range of buses.

The precise terms of the Henlys deal provide for Plaxton to acquire all the share capital of Colhen, the holding company for Henlys Vehicle Group. Colhen's own ultimate holding company is the Canadian Henlys Group, formerly Midepsa, in which Mr Michael Ashcroft's ADT group remains a reluctant, 48 per cent shareholder.

Mr Matthews, a former racing driver who took control of Plaxton two years ago via a £8.5m reverse takeover with his Kirkby Central car distribution business, made clear yesterday that other acquisitions are likely in both sectors.

Plaxton is known to be interested in acquiring Metro Cammell Weymann, the Laird Group's troubled bus-making business, which has had a 'for sale' sign over it for several months.

Plaxton yesterday also announced a £36m, fully underwritten four-for-five rights issue to help finance the deal, with the remainder of the purchase price to be covered by increased bank facilities with Royal Bank of Scotland.

The main target of the acquisition is Henlys' 21-strong network of car sales outlets covering 27 car and seven commercial vehicle franchises. They include Rolls-Royce and Jaguar outlets as well as volume franchises like Ford and Rover.

They are entirely complementary to Plaxton's existing vehicles sales and distribution activities, carried out under the Kirkby Motor Group banner. These comprise two General Motors dealerships which between them account for 5 per cent of all Vauxhall sales in the UK; three Ford dealerships and a commercial vehicle franchise.

Also included in the deal are a small coachbuilder based at Rochdale, Mellor Coachcraft and Coleman Milne, the Bolton-based limousine conversion specialist best known for its "stretched" versions of the Ford Scorpio and other executive cars.

In its year ended December 31, Colhen had a consolidated turnover of £262m and pre-tax profits of £5.3m. Plaxton's finance director, Mr Richard Battersby, while acknowledging that Colhen's formal net assets at completion will be about £40m, insisted that the apparent goodwill element of nearly £8m of which Mr Ashcroft stands to be the principal beneficiary, is more than offset by available tax losses and property and pension fund surpluses.

The Henlys acquisition, stressed Mr Matthews, would greatly strengthen Plaxton's asset base and sharply increase earnings. Plaxton itself made pre-tax profits of £4.75m in the 15 months ended last December, up from £1.49m in the 12 months to September 1987, on turnover also sharply higher at £244.13m (£89.8m).

The biggest contributor to profits was Kirkby Motor Group, with operating profits of £3.38. The addition of Henlys, for the moment at least, will make vehicle sales and distribution by far Plaxton's biggest earning sector.

However, Mr Matthews stressed that the third leg of its business strategy, its Roadlease vehicle contract hire and financial services subsidiary, which contributed £1.16m to profits last year, would inevitably be a major beneficiary of the acquisition of Henlys, which sold 19,400 new and 9,600 used vehicles last year.

## Hanson takes up part of GPA issue

By Kieran Cooke in Dublin

HANSON, the UK-based industrial holdings conglomerate, has taken up part of a £150m ($235.5m) new share issue in GPA, the aircraft leasing and financial services group based at Shannon in the Irish Republic.

The extent of the Hanson involvement in the new share issue was not disclosed. Mr Martin Taylor, Hanson's vice chairman, described his company's holding as a "starter stake" in GPA.

Mr Taylor said that the GPA shareholding would provide an important learning experience for Hanson in the aviation industry and said there was the possibility of further co-operation between Hanson and GPA.

Hanson's only involvement to date in the aviation industry is its fleet of helicopters run through its company Air Hanson.

The new GPA share issue was priced at $425 per share, which puts a value of $2.45bn on the GPA group. When GPA made its last big share issue at the end of 1988 shares were sold at $285 per share.

Existing major shareholders in GPA include Air Canada, the Mitsubishi Corp, Aer Lingus and Irish Life Assurance. Mr Tony Ryan, who helped found GPA in the mid 1970s, has maintained an 8 per cent stake in GPA through successive share issues.

As a result of the new share placing Hanson, Chiyoda Finance of Japan, Gamlestaden and Nyckeln Holding of Sweden and the Bank of Ireland become GPA shareholders.

GPA, which earlier this year announced what was described as the biggest order in civil aviation history of more than 300 aircraft worth $17bn, made a net profit of $152.2m in 1988/89. This was a 50 per cent increase on the profit of the previous year.

## Isosceles buys 50m Gateway

By Nikki Tait

ISOSCELES, the newly-formed company which is waging a £1.87bn bid for Gateway, Britain's third largest food retailer, has confirmed that it picked up a 5.63 per cent stake in its target on Tuesday afternoon.

It purchased 50.2m shares at a price of 210p, for a total outlay of around £105m. This is the first time since the bid battle began that Isosceles has acquired shares in Gateway.

However, four institutions acting in concert with Isosceles hold or manage a further 4.6 per cent of Gateway - although only some of these shares accepted Isosceles' initial offer at the first closing date. Total acceptances then came in respect of 4.9 per cent of the equity, of which just under half (2.4 per cent) were from parties unconnected with the bidder.

The bidder raised its terms earlier this week, and is now offering either 210p a share in cash, or 195p cash plus a mixture of ordinary and preference shares in Isosceles.

## IN BRIEF

**AAH HOLDINGS** has acquired Chapman (Chemist) for £451,000 satisfied by the issue of 112,190 AAH ordinary shares, all of which have been placed by Hoare Govett Corporate Finance. Chapman (Chemist) is a retail pharmacy business located in Haverfordwest, South Wales.

**BRITISH AEROSPACE:** Foreign-held shares in BAe have dipped below the 15 per cent Government-imposed ceiling. The company's registrars said that on May 31, 37.96m shares, representing 14.83 per cent of the total, were in foreign hands.

**CHANNEL TUNNEL** Investments: Pre-tax loss £13,138 (£14,731) for 1988. Income from listed investments £24,784 (£20,635). Tax was £100 (£696) and loss per 5p share 0.89p (0.96p).

**CORPORATE ESTATES** Properties, quoted on the USM, has changed its name to Marylebone Estates Company. In January the two companies merged their interests and created a group with current gross assets of over £80m and a development programme of £30m. To reflect the enlarged group the ordinary shares will achieve Beta Stock status on June 5.

**T.I.P. EUROPE** is to establish a £40m multiple option financing facility with which to expand its branch network and trailer fleet throughout the U.K., continental Europe and for general corporate purposes.

**VALUE AND** Income Trust has acquired Amisford Investment, a private company with net assets of £311,000. Consideration will 182,622 6¾ per cent preference shares and 100,000 warrants 1989-94 to subscribe for ordinary shares of 10p each.

## Sea Containers ready to reject offer from Tiphook

By Andrew Hill

SEA CONTAINERS, the Bermuda-based owner of Sealink British Ferries, looks set to reject the unsolicited $824m (£525m) offer from Tiphook, the UK container rental group, and Stena, the privately-controlled Swedish ferry company.

Sea Containers' shares have been trading in New York at more than $6 above the bid price of $50 and some analysts have suggested that the group's property and land assets in British ports and harbours are themselves worth at least $20 a share.

The company will probably argue that other assets, such as its ships and containers, have been undervalued in the Anglo-Swedish offer.

Mr James Sherwood, Sea Containers' president, must respond to last Friday's bid within 10 business days. The group said yesterday it would probably wait until the last possible date – Monday or Tuesday of the week after next – before making a statement.

Sea Containers is likely to point to the recent recovery in profits as evidence of the group's growing strength and the inadequacy of the offer. In 1986 the group reported net losses of $49.8m, transformed into earnings of $85.2m by last year.

Meanwhile, Sea Containers is having to fend off legal challenges from Tiphook and Stena over purchases of its own stock and a "poison pill" protection against takeover. Court action should begin today in Bermuda.

### MONTHLY AVERAGES OF STOCK INDICES

| | May | Apr. | Mar. | Feb. |
|---|---|---|---|---|
| **Financial Times** | | | | |
| Government Securities | 88.47 | 88.41 | 88.26 | 88.72 |
| Fixed Interest | 97.26 | 97.19 | 96.99 | 97.87 |
| Ordinary | 1775.5 | 1700.5 | 1710.7 | 1676.2 |
| Gold Mines | 173.3 | 186.0 | 166.8 | 164.5 |
| SEAQ Bargains (5 p.m.) | 26,075 | 26,289 | 31,906 | 32,206 |
| **F.T.-Actuaries** | | | | |
| Industrial Group | 1139.82 | 1100.50 | 1109.77 | 1088.16 |
| 500 Share | 1214.26 | 1174.75 | 1182.26 | 1158.47 |
| Financial Group | 746.44 | 731.26 | 749.64 | 751.74 |
| All-Share | 1099.89 | 1066.84 | 1076.80 | 1059.28 |
| FT-SE 100 | 2137.2 | 2065.6 | 2074.0 | 2046.2 |

| | May High | May Low |
|---|---|---|
| Ordinary | 1837.5(19th) | 1736.3(2nd) |
| All-Share | 1131.41(19th) | 1063.96(2nd) |
| FT-SE 100 | 2204.7(19th) | 2103.1(2nd) |

### LEGAL NOTICES

No 7 of 1989

THE INSOLVENCY ACT 1986

IN BANKRUPTCY

IN THE HERTFORD COUNTY COURT

RE: MR GEORGE VON ENGEL, 51 Ware Road, Hoddesdon, Hertfordshire

On 7 April 1989 the above-named Court made a Bankruptcy Order against the above-named debtor.

The First Meeting of Creditors will be held at 10.30 am on 15 June 1989 at Official Receiver's Office, Oxford House, 40 Clarendon Road, Watford WD1 1HJ.

NOTE:- All debts due to the estate should be paid to me.

Date 15 May 1989

Signed D E I PEET
OFFICIAL RECEIVER
Address
Oxford House, 40 Clarendon Road, Watford WD1 1HJ



## WARDLEY GLOBAL SELECTION

société d'investessement à capital variable
registered office: 7 rue du Marché-aux-Herbes
L - 1728 Luxembourg

R.C. Luxembourg B. 25.087

### NOTICE TO SHAREHOLDERS

1. The extraordinary shareholders' meeting held on 30th March, 1989 in Luxembourg has approved the changes proposed by the Board of directors (the "Board") of Wardley Global Selection (the "Company") in respect of the charges for asset management and investment policies and restrictions for the Equity Funds, the Bond Funds and the (renamed) Reserve Funds in the form described in a letter to shareholders sent to each registered shareholder on 15th March, 1989 to conform these to the law of 30th March, 1988 on collective investment undertakings and made available at the registered office of the Company prior to such meeting and a copy of which may be obtained from the Company's Registrar and Transfer Agent WARDLEY INVESTMENT SERVICES (LUXEMBOURG) S.A., P.O. Box 889, L - 2018 Luxembourg, fax (352) 22053 or telephone (352) 476812-1

2. The investment management fee is maintained at 1 per cent. p.a. on the aggregate net assets of the Equity Funds, whereas it will be reduced to 0,75 per cent p.a. on the aggregate net assets of the Bond Funds and increased to 0,50 per cent p.a. on the aggregate net assets of the (renamed) Reserve Funds, effective 1st August, 1989.

   The Board has given notice on 14th March, 1989 to all registered shareholders of the discontinuation of the following sub-funds:

   Wardley Global Selection - Deutsche Mark Bond
   Wardley Global Selection - Ecu Bond
   Wardley Global Selection - Japanese Yen Bond
   Wardley Global Selection - Swiss Franc Bond

3. All relevant shareholders are offered until 31st July, 1989 a conversion free of charge from such sub-funds into any of the other Equity Funds or Bond Funds or in to a new sub-fund, being launched as from the effective date of 1st August, 1989:

   Wardley Global Selection - International Managed Bond Fund

   as per the prospectus containing its description and to be dated June, 1989, a copy of which may be obtained on request as from 1st June, 1989 at the registered office from the Registrar and Transfer Agent or at the offices of the Company's Permanent Representative in Hong Kong (Wardley International Management Limited, 12th Floor, Bank of America Tower, 12 Harcourt Road, Hong Kong).

4. The attention of shareholders is drawn to the fact that the Company intends to discontinue the registration of its Shares for sale to the public in and from Switzerland as from a date three months following the publication of the relevant notice thereof to be published in the Swiss Official Gazette of Commerce in May, 1989 so that the effective date thereof is anticipated to be on or prior to 31st August, 1989.

5. The corporate year of the Company has been changed so as to end on 31st July in each year. The annual accounts of the Company for the period ended 31st March, 1989 will be submitted to an annual meeting of shareholders to be held on 30th July, 1989 and those for the exceptional period from 1st April, 1989 to 31st July, 1989 will be submitted to a general meeting of shareholders on the last Friday in November, 1989.

6. It is anticipated that the Company will continue its present dividend policy and to apply in this respect annually for UK Distributor status until such time when the Board shall decide otherwise and notify the shareholders accordingly.

The Board of Directors.

## UK COMPANY NEWS

# Opera buff returns to give a shine to a dull image

**Philip Rawstorne** on Bruce Crawford's attempt to strengthen Omnicom's London presence via BMP

BACK IN advertising after three years as general manager of the New York Metropolitan Opera, Mr Bruce Crawford, president and chief executive of Omnicom, is now calling the tune in the bidding for Boase Massimi Pollitt, the UK advertising agency group.

It has been a welcome sound to Mr Martin Boase, BMP's chairman, with its promise of a more harmonious future partnership for the agency after the discordancies of the hostile offer from Paris-based Boulet Dru Dupuy Petit.

Mr Crawford was chairman of BBDO, the US agency, before leaving for the Met in 1986. A year after his departure, BBDO merged with Doyle Dane Bernbach and Needham Harper to form Omnicom. Had he stayed, he would almost certainly have been given command of the group then.

But it was not until late last year that he was lured back by his protegé, Mr Allen Rosenshine. Confessing he was "happier selling advertising than bonds", Mr Rosenshine officially vacated the Omnicom chief executive's chair for Mr Crawford and took over at BBDO Worldwide in April.

Mr Crawford finds, on his return, a somewhat dull group, but one which occupies fourth place in the industry's international rankings and is "in an excellent position to build on its base", according to Ms Laurie Goldberger, analyst for Shearson Lehman Hutton.

Omnicom has two separately-run multinational agencies, BBDO and DDB Needham; a majority stake in another US agency, Tracy-Locke; a leading direct marketing company, Rapp Collins Marcoa; and a collection of other marketing services.

Last year's pre-tax income of $77.6m from worldwide billings of $6.3bn is described as "a tolerable disappointment" by Mr Alan Gottesman, a PaineWebber analyst. "Nothing went especially wrong," he says. "It's just that the things that went right didn't do so with enough vigour."

Net billings gains of $200m, for instance, represented a 4 per cent growth, less than half the rate of increase at rival agency group, Interpublic.

Industry observers, however, agree that most of Omnicom's merger-related problems are over – though there may be scope for further rationalisation of its ancillary operations – that costs are under control, and that the group's prospects under Mr Crawford's more aggressive leadership are good.

Each of the main agencies has a number of blue-chip clients – Pepsi-Cola, Dodge, DuPont and Gillette at BBDO; Johnson Wax, Volkswagen, Mobil and Michelin at DDB Needham. Both have strong creative reputations. Advertising Age, the US trade magazine, recently named BBDO as runner-up for its Ad Agency of the Year, and plumped for DDB Needham as its International Agency of the Year, mainly for its work in the UK.

If he acquires BMP, Mr Crawford intends to merge its BMP Davidson Pearce agency with DDB Needham. It should be less of a culture shock for Mr Boase than being embraced by the French. (He tried to tempt Mr Tony Cox, DDB Needham's creative director, to join BMP last year.) It should also cause DDB much less trouble than its merger with Reeves Robertshaw Needham two years ago.

Bruce Crawford – under his leadership, prospects are good

Although some client conflict and defections could ensue, such a merger would greatly strengthen Omnicom's presence in London. Despite its creative reputation, DDB has been falling in the UK industry's gross income rankings. It now stands 23rd, with BBDO 18 places further down.

The UK was identified as an Omnicom weak spot before Mr Crawford took over – and efforts to strengthen it are part of a wider plan to expand the group's international business.

In one field, Omnicom is up with the international pace. Both its agencies have joined with Ogilvy & Mather to form The Media Partnership, in which the agencies' billings will be consolidated to provide greater negotiating power in media-buying in Europe. The venture, in which WPP Group's J Walter Thompson may also become increasingly involved, should be operating in five countries by December.

But while the Omnicom agencies currently have 257 offices in 50 countries around the world, more than half the group's revenue still comes from the domestic US market.

Most of its rivals have already tipped the balance the other way, taking an increasing proportion of their revenue from growth areas outside the US, and Europe in particular.

BBDO has one of the largest networks in Latin America and is fairly strong throughout Europe where it has benefited from recent consolidation of clients' spending. But it holds only a minority stake in many of its overseas units, and that is seen as a possible drag on expansion and revenue growth.

DDB Needham's international strengths are spottier. However last year, it reached agreement with Dai-Ichi-Kikaku, Japan's fifth largest agency, for an extensive partnership in south-east Asia. And in January, it appointed Mr Bernard Brochand, former chief executive of Eurocom, the agency group owned by Havas, as head of its international division.

Mr Crawford makes the group's international operations one of his top priorities. "We intend to pursue a combination of organic growth, through the development of current and new multinational clients, and acquisitions, to maintain the quality and improve the geographic coverage we offer in both networks."

# Problems on cycles side limits Elswick profit growth to 12%

**By John Thornhill**

PROBLEMS with setting up new plant at its cycle factory and a fire at the same site last September limited pre-tax profits growth at Elswick, the bicycles, lawnmowers, and packaging group, in the year to January 31.

The profit rose 12 per cent, from £1.62m to £1.8m, on sales ahead by 37 per cent to £40.04m (£29.19m). Because of the increase in share capital earnings per share fell to 1.3p (1.41p), but the dividend is raised 50 per cent to 0.45p with a final of 0.3p.

Early last year Elswick's Falcon Cycles business was hit by difficulties in introducing new pre-treatment and paint equipment. In September, its factory was severely damaged by a fire and this February another serious fire was narrowly averted.

Mr Bill Cross, chairman, said although the causes of the fires could not yet be revealed for legal reasons they had now been identified and rectified.

As a result of the disruption, the cycle division recorded a loss of £487,000, even though that included a substantial undisclosed credit to reflect an interim insurance claim made for loss of profits. In the previous year, the division contributed over £600,000 to trading profit.

A further insurance claim will be made to recoup consequential losses in the current year and a third claim may result on plant suppliers. These claims are not represented in the accounts.

Mr Cross said strong and profitable growth had been achieved in the company's other operations. Grass-cutting equipment and agricultural machinery activities produced a profit of £1.62m on sales of £20.62m. This result was boosted by the first full-year contributions from the Bomford and Turner businesses. The company said that on a comparative basis organic growth had been 49 per cent.

Elswick's packaging interests yielded trading profits of £1.17m on turnover of £10.59m. This represented a 27 per cent profit increase on a like-for-like basis. The loss-making Sparkprint, acquired in July, was extensively reorganised and has launched a new re-sealable packaging product called Sparkseal.

An extraordinary loss of £720,000 represented costs relating to acquisitions, closure of peripheral businesses, and disruption in the cycles division. Also included in this figure, however, was a £1.4m credit from a property deal.

ANNUAL MEETINGS

# Profits warning at Prudential Property

**By Patrick Cockburn**

PRUDENTIAL PROPERTY Services, the Prudential's estate agency chain, is likely to make an operating loss this year unless there is some recovery in the housing market in the near future, Lord Hunt, Prudential chairman, said yesterday.

He told the annual general meeting that the sharp rise in interest rates had caused a *severe fall in the housing market*, especially in the south, with sales half those of a year ago.

Last year Prudential sold over 88,000 houses valued at £6.5bn, but by the end of the year was already finding the housing market severely affected by rising interest rates.

The profits of the corporation's property business rose to £17.2m in 1988 compared to £4.5m the year before.

Lord Hunt said that sales of more than 500,000 new pensions policies had been sold since the new pensions legislation came into effect last July.

Mr Colin Southgate, chairman and chief executive of Thorn EMI, joined the board while Lord Carr and Mr Desmond Craigen retired.

● **BLETCHLEY MOTOR**: Mr David Dunn, chairman, told shareholders at the AGM that in spite of a 15 per cent increase in turnover in the first four months of 1989, the group did not expect to match last year's first-half figures.

Pre-interest profits should be satisfactory, he said, but interest charges on borrowings made to build up the contract hire fleet would be substantially higher.

Demand in the retail sector had slackened, but the fleet business had continued to be buoyant, he said.

● **SIMON ENGINEERING**: In his statement, Mr R Roberts, chairman, told shareholders that in spite of rising inflation, a falling pound and a rise in the value of both the US dollar and the Deutsche Mark, the company's business still maintained its progress.

Results for the first four months of this year confirmed that the company's objectives were being achieved, he said, and the board believed that they could maintain this progress.

# Rival bid for Bardsey's Rabone subsidiary

**By Ray Bashford**

BARDSEY, the hand tool manufacturer and distributor, has received a higher alternative offer for the purchase of its subsidiary, Rabone Chesterman.

Cooper Industries, a US hand tools manufacturer, has made a cash offer to acquire Rabone Chesterman which is "materially higher" than the £6.7m bid made last month by Stanley Works, the UK subsidiary of the US-based tools and hardware group.

Mr Harry Westropp, Bardsey's managing director, said that the alternative offer was made yesterday before the extraordinary general meeting to approve the Stanley proposal.

Shareholders voted to adjourn the meeting to give time for consideration of the Cooper offer. Mr Westropp said he expected to make a decision on it within a week.

The managing director declined to give details of the latest bid but stressed that the Stanley offer had not been rejected.

# Primadona joins Jupiter Tarbutt

**By Nikki Tait**

Primadona, the small investment trust, is effectively moving into the Jupiter Tarbutt fund management stable.

The company announced that Mr Derek Childs, Mr John Duffield, and Mr Mark Heathcoat-Amory – all with Jupiter Tarbutt – were joining the board, the registered address of the fund was switching to Jupiter Tarbutt offices in Knightsbridge, and the fund management group had been appointed as corporate secretaries to the trust.

Primadona, once an in-house fund at Rowe & Pitman, was previously managed by Ely Place Investments, part of the MacIntyre Hudson accountancy firm. Jupiter Tarbutt said yesterday that the fund would now be managed by Mr Childs, previously with Rowe & Pitman. Two other directors, Mr Paravacini and Mr Ellis, have resigned, although Jupiter says that this is due to personal circumstances.

# Sandell rises to £0.15m at half year

Sandell Group, manufacturer and installer of office partitioning and suspended ceilings, lifted its pre-tax profit from £131,158 to £154,664 in the half year ended March 31 1989.

The group came to the USM at the end of last year. Turnover rose to £1.44m (£1.14m) while earnings were 4.5p (4.3p) from which an interim dividend of 1.7p is declared.

The directors said the second half had started very favourably, and current demand was encouraging.

Interlock Developments, which had been acquired, had started trading as Sandell Interlock and will form the *marketing and installation* arm upon which expansion in London and the home counties will be based. Some costs will be incurred on integration.

# Capital Leasing beats forecast with I£1.08m

Capital Leasing Group, the Dublin-based USM quoted company which arranges finance leasing and lease purchase facilities for a wide range of equipment and plant, has produced a pre-tax profit of I£1.08m (£916,000) for the year to March 31 last against a prospectus forecast of I£1m.

Mr Desmond McGuane, chairman, said the group is budgeting for substantial growth in the current year. At this early stage the outlook was promising and he remained confident of long-term prospects.

Turnover last year rose substantially from £3.83m to £10.47m. After tax of I£130,000 earnings per share were 4.5p, an increase of 20 per cent over the previous year.







## UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY– Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

| | Indl. prod. | Mfg. output | Eng. order | Retail vol. | Retail value | Unem-ployed | Vacs. |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

OUTPUT– By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

| | Consmr. goods | Invest. goods | Intmd. goods | Eng. output | Metal mnfg. | Textile etc. | Housg. starts* |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

EXTERNAL TRADE– Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

| | Export volume | Import volume | Visible balance | Current balance | Oil balance | Terms trade | Reserve US$bn |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

FINANCIAL–Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

| | M0 % | M1 % | M3 % | Bank lending £m | BS inflow £m | Cosmr. credit* £m | Base rate % |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

INFLATION–Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

| | Earn-ings | Basic matls.* | Whsale. mnfg.* | RPI* | Foods* | Reuters* cmdty. | Sterling |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

# COMMODITIES AND AGRICULTURE

## Angola to rejoin diamond cartel

By Kenneth Gooding, Mining Correspondent

DE BEERS, the South African mining group which controls 80 per cent of world trade in rough (uncut) diamonds, is to strengthen its grip by marketing diamonds mined by Angola, the only major gem stone producer outside the cartel operated by the London-based Central Selling Organisation (CSO).

De Beers will also help Angola with prospecting and mining so as to increase that country's diamond output.

Angola last year produced about 1m carats of rough diamonds, 90 per cent of them of gem quality, worth about $180m. But it has been widely suggested that, if mining continues at the current rate, output would fall in two or three years' time as supplies from the alluvial deposits (where diamonds are on the surface) dry up.

However, there are at least six kimberlite (below surface) deposits known to be present in Angola and negotiations are going on for De Beers to set up a joint venture with Endiama, the state-owned diamond company, to develop them. The cost would be well over US$500m each and production could not start until the mid-to-late 1990s. The two companies will also build a diamond sorting centre in Angola.

Endiama said it will start marketing a "significant proportion" of Angola's diamond production through the CSO early in 1990. As production builds up it will move towards an exclusive marketing arrangement.

Diamonds have been mined in Angola since 1917 and for much of that time the CSO did the marketing. Angola left the cartel in 1985. In 1986, mainly because of terrorist activity, Angola's production fell to 250,000 carats worth $15m.

At the peak, Angola produced 2m carats a year. This compares with Australia's annual 34m carats, Zaire's 23m, Botswana's 15m, the Soviet Union's 12m and South Africa's 9m.

However, in value terms Angola is more important than this suggest because of the high percentage of gem stones in its output. The impact can be illustrated by the fact that Botswana's diamond production is worth about $800m a year whereas Zaire, with much larger volume, has output worth about $300m.

The CSO has diamond marketing contracts with Australia, Botswana, Namibia, Tanzania and Zaire. The Soviet Union broke off its contract in 1972 but much of its ootput still finds its way to the CSO.

## Shortage of stocks may threaten the return of tin

### As trading resumes in London some consumers are less than enthusiastic, writes Kenneth Gooding

TIN TRADING will restart today on the London Metal Exchange after a three-and-a-half year break with LME stocks virtually non-existent and standing at a nominal 5m tonnes.

This has raised fears among tin consumers that the LME price will be very volatile, might be vulnerable to manipulation, and that a relatively small amount of business might force prices artificially higher.

"We have lived without the LME for more than three years and would be happy to go on that way," said one big consumer.

"Our operations have been conducted quite satisfactorily on a back-to-back basis, without the interference of middlemen, and the return of the LME will do nothing to improve our operations," he added.

Until recently, LME tin stocks were at 1,390 tonnes – their lowest point for nearly 10 years and down from a peak of 72,000 tonnes in February 1986.

The stocks were taken out of warehouse for re-assaying in preparation for the start of trading but seem very slow to reappear on the statistics.

One analyst suggested yesterday that "re-assaying must be a euphemism for searching for stocks."

However, Mr Graham Birch of Ord Minnett, the securities house, quickly added: "I guess the LME would only have taken this step if it was certain *it would have a viable contract* and it should get off to a reasonable start."

Indeed, the LME itself points out that as the first prompt date (when cash metal will be traded) *is not until July 3*, there has been little incentive for producers or traders to put metal into its warehouses.

However, there is a temporary worldwide shortage of refined tin.

Mr Encik Ibrahim Menudin, president of the Malaysian Chamber of Mines, said this week that an industry estimate that stocks totalled 30,350 tonnes at the end of March was misleading.

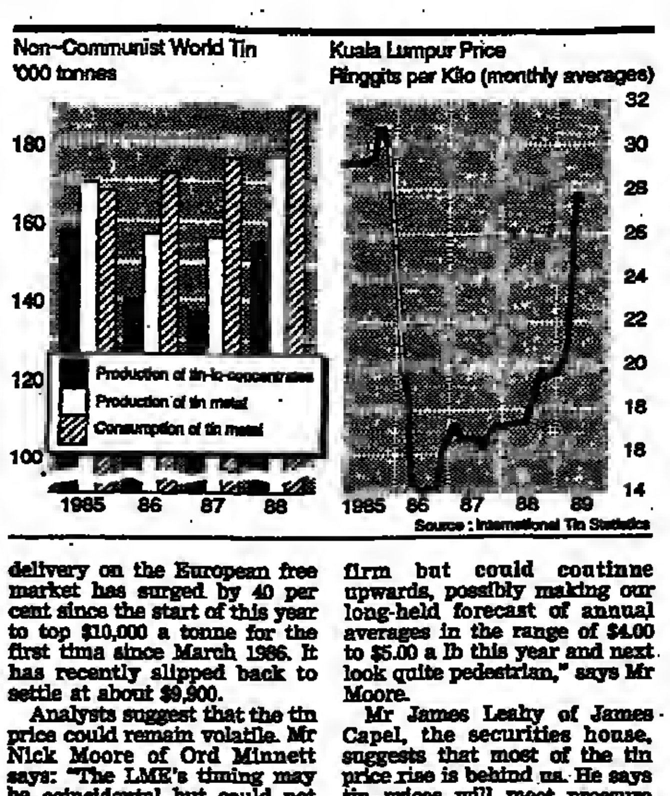
*About half* the stock was held by traders and mining companies as their normal tradeable inventory and the remainder was held by banks and brokers. Of the latter, some 7,291 tonnes was not readily available because it was the subject of litigation, he said.

Worldwide stocks have come down because the Association of Tin Producing Countries (ATPC) has successfully operated an export quota system for the past three years which has whittled them away at the rate of roughly 20,000 tonnes a year. Most of that has come out of LME stocks.

Trading stopped on the LME after the 1985 collapse of the International Tin Council's buffer stock operations because it had run out of money to finance them.

Tin producers, users and merchants have all been caught off-guard by the sudden end to the tin surplus.

The price for immediate delivery on the European free market has surged by 40 per cent since the start of this year to top $10,000 a tonne for the first time since March 1986. It has recently slipped back to settle at about $9,900.




Analysts suggest that the tin price could remain volatile. Mr Nick Moore of Ord Minnett says: "The LME's timing may be coincidental but could not be more opportune. It is much better to re-start trading in current conditions rather than when the market was dead and there was no attraction for speculators."

Ord Minnett believes a fundamental reversal of the supply-demand position is some way off.

"*In such circumstances*, tin prices will not only remain firm but could continue upwards, possibly making our long-held forecast of annual averages in the range of $4.00 to $5.00 a lb this year and next look quite pedestrian," says Mr Moore.

Mr James Leahy of James Capel, the securities house, suggests that most of the tin price rise is behind us. He says tin prices will meet pressure over the longer term as growth in demand lags behind supply, even though the short-term outlook is constructive for the metal.

According to James Capel's estimates, non-communist world tin supplies in 1989 will rise by 15 per cent to 175,000 tonnes from 152,000 tonnes last year. *When imports* from the Eastern bloc, scrap recovery and sales from the US stockpile are taken into account, total availability will be about 195,000 tonnes.

However, the picture for demand is sluggish. "Research into new products in aluminium and plastic beverage cans is a serious threat and looks set to intensify," Mr Leahy says.

Tin consumption is forecast to improve by only 3 per cent in 1989 to 190,000 tonnes, with no prospect for further growth in 1990.

Mr Leahy gives a warning, however, that "the market would seem to be most exposed to short-term squeezes as the production increases will not come through as refined metal for some months."

Mr John Harris, analyst at Rudolph Wolff, the commodities broker, says there are a number of reasons why LME stocks have not reappeared, apart from the fact that no metal has to be delivered until July 3.

For example, it seems reasonable to assume that many producers and traders would prefer to sell at current relatively high prices rather than to hold tin on warrant in LME warehouses.

Also the speed at which the LME decided to re-start tin trading means that some organisations which intend eventually to trade are not yet ready.

Mr Harris points out that there are other price references for producers and consumers to *use while the LME is* attempting to re-establish its contract.

For the past three years contracts have been based on price assessments made by Reuters, the information group, and various metals publications.

When he announced six weeks ago that tin trading would re-start, Mr Christopher Green, the LME chairman, said: "We believe the contract *will* be a success and that it will be a service to the industry as a whole."

End-users would have a hedging facility with the new contract that they rarely used in the past when the ITC dominated the price structure. "Now end-users will be able to lock in the price of tin against sales of tin-plate."

The London exchange was not setting out to be a rival to the Kuala Lumpur Tin Market, he added. "The KLTM may well benefit from a new quotation in London as there may be arbitrage between the markets."

Mr Green added: "We felt that it was timely and important to have a tin contract that would provide transparency, which I do not think is provided by the Kuala Lumpur market."

● The first edition of International Tin Statistics, intended to fill the gap left when the ITC stopped collecting industry figures and published under a trust fund project administered by Unctad, has now been published and is available from Haymarket House, 4th floor, 28 Haymarket, London SW1Y 4EQ, £26.

## Brazil to end sugar export monopoly

By John Barham in Sao Paulo

BRAZIL'S SUGAR producers are about to venture into the export market alone and almost unprotected after nearly 40 years.

As of Monday, the Sugar and Alcohol Institute (IAA) will be relinquishing its monopoly over sugar exports after more than a year of political in-fighting and bureaucratic wrangling.

Once again, the changes raise the wider question of the IAA's future and that of its sister organisation, the Brazilian Coffee Institute (IBC).

Brazilian sugar exporters will now be able to deal directly with importers, instead of selling all their produce to the IAA. Previously, only the institute could negotiate deals with importers.

Details of how the new export regime will work are still *sketchy. Officials* at the IAA and producers' organisations were not available for comment.

It seems probable, however, that the IAA will retain a strong regulatory grip over the market. The institute tells producers how much sugar cane they can grow and how much of the cane will be crushed to make sugar, how much will be distilled into fuel alcohol and how much is to be exported.

The IAA also sets domestic retail prices and determines that only producers in the backward north-east of Brazil may export sugar. Brazil exports 8m tonnes of sugar and consumes 6.5m tonnes annually.

It also seems probable that the institute will introduce a buffer stock mechanism to protect producers from low prices.

The IAA used to cover the cost of exporting sugar at below cost price with government *subsidies. Now*, however, the subsidies could be replaced with disbursements from a fund topped up at the time of high prices.

Currently, world prices are about 25 per cent above Brazil's average cost of production, put at $208 a tonne.

President Jose Sarney had decreed that the IAA would withdraw from the export market a year ago. But intense pressure from politically influential producers in north-eastern Brazil forced the President to extend the IAA's export monopoly for a further 12 months.

The institute has been a continual target of allegations of corruption, incompetence and overstaffing. The latest accusation of corruption came in February, after it announced a 300,000-tonne sugar sale to three European countries at below market prices.

## Indonesian coffee's robust nature proves a success

### John Murray Brown in Jakarta reports on the industry's efforts for a bigger share of the world market

ROBUSTA by name, Indonesian coffee is also proving to be robust by nature in the struggle for a share in a shrinking world market.

While officials continue to gripe about the export quota allocated under the International Coffee Agreement, Indonesia's traders have been busy seeking out new markets – and with some success.

Preliminary figures for 1988-89 show that exports increased by about 12 per cent to 5.1m bags (60 kg each). More significantly, for the first time over 50 per cent of Indonesia's coffee shipments found their way to non-member markets, principally the Middle East and the Comecon countries of eastern Europe.

Although coffee is sometimes viewed as a non-essential by consumers, for the poor, developing countries which grow the crop it is an important source of foreign exchange.

In 1986, after a crop failure in Brazil forced the ICO to suspend quotas, Indonesia's coffee earnings surged to $994m – in spite of a fall in prices – making it the third largest non-oil export.

"We have to be ready for the free market again," says Mr Paian Naingollan, the director general for foreign trade who leads Indonesia's delegation at the ICO, the body of 74 producers and consumers that administers the $10bn-a-year world coffee trade.

Although a relative newcomer, Indonesia is today the third largest producer after Brazil and Columbia. Yet Indonesia still has no seat on the ICO board, while its existing quota of 162,000 tonnes represents less than half its annual production, put at 6.4m bags in the 1988-89 September to October coffee season.

Mr Naingollan describes the situation as "unfair and discriminatory."

Making matters worse, Indonesia is now the centre of the row over discount sales to non-member countries – a practice banned by the ICO. With such a two-tier pricing system consumer members of the ICO complain that non-member importers now pay less for their coffee. Large volumes are also being re-sold in member markets to undercut prices.

Discounted or not, according to Mr Naingollan, it is no longer a loss making operation to export to non-member countries.

"Today my office receives applications from traders who only want to export to non-member markets," he says.

The ICO meets again in mid-June to discuss how to divide up the coffee market – a precondition for the continuation of quota controls.

However, Mr Naingollan holds out little hope that the organisation can resolve its bitter internal differences to salvage the present agreement, which is due to end in October.

"If Brazil will not accept the structural changes that already exist, then perhaps we should have a free market for say two-years. After that you'll see who are the inefficient producers," he says.

Over 90 per cent of Indonesian production is of robusta coffee, a coarse grade traditionally used for high roast varieties in France and Italy and more recently as a blend in instant soluble coffees.

In recent years robusta sales have slowed as the US, the world's largest consumer, has turned increasingly to the milder arabica beans, grown mostly in Latin America. Total robusta demand in the US, traditionally Indonesia's main buyer, has almost halved since 1970 to 2.8m bags, as health conscious consumers drink smaller quantities of coffee, mostly the high-grown mild arabicas from Central America.

Today, robustas account for just 27 per cent of the world market – a fact which makes the increase in Indonesian exports all the more remarkable.

Indonesia's principal advantage is its low costs. Over 90 per cent of production is in the hands of some 3m smallholders on plots often little bigger than a couple of hectares.

Unlike Brazil and the other big producers, Indonesia's coffee industry has few administrative overheads, no flashy salaries for an executive board and a modest headquarters in a converted Jakarta townhouse. And unlike some other commodities there is no guaranteed price for the farmer. "It gives us plenty of room for manoeuvre," says Mr Naingollan.

It also means that the Indonesian producer is more sensitive to price movements and can switch into alternative crops such as maize and cocoa.

On May 11, Bank Indonesia reduced its subsidy for Rupiah export credits, raising the interest rate from 9 per cent to 14 per cent – a move which Mr Naingollan says will strengthen Indonesia's long-term trade competitiveness.

Also revised is the system for domestic quotas. These will now be allocated for the entire year, which will take the pressure off Indonesian exporters to sell and encourage better export prices.

Indonesian coffees are often described as poor quality. Traders say coffee handling is badly monitored, particularly at the post-harvest stage when the presence of unripe beans impairs the end flavour.

Foreign agriculturalists also point out that because of high borrowing costs smallholders are reluctant to spend money on inputs such as fertiliser and insecticide, which also means poor quality.

Mr Naingollan's answer is simple. Look at Japan, he says, the world's fastest growing market for high-quality gourmet coffees. Last year Indonesia sold 890,000 bags to Japan, making it the country's biggest coffee supplier – a supremacy which has been achieved largely at Brazil's expense.

# WORLD COMMODITIES PRICES

## LONDON MARKETS

ZINC PRICES came under further pressure on the London Metal Exchange yesterday with the cash high grade quotation ending another $37.50 down at $1,557.50 a tonne – a 6-week low. The three months position fell $33.50 to $1,509 a tonne, but was underpinned by chart-based support around the $1,500 mark. Cash copper relinquished £44.50 of Tuesday's £100 rise as concern about the availability of supplies for immediate delivery eased. The cash price ended at an £11.50 discount against the three months position. Aluminium continued to retreat as the market came under pressure from Japanese and WEest German trade selling. Cash metal closed $77.50 down at $2,047.50 a tonne and the premium over three months narrowed from $142.50 to $96.50. Only nickel gained ground, with cash rising $225 to $12,675 a tonne.

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $15.50-5.60v | +0.05 |
| Brent Blend | $18.15-8.30q | +.175 |
| W.T.I. (1 pm est) | $19.90-9.95v | +0.15 |
| **Oil products (NWE prompt delivery per tonne CIF)** | | **+ or -** |
| Premium Gasoline | $237-240 | -2 |
| Gas Oil | $146-148 | |
| Heavy Fuel Oil | $90-92.0 | +0.5 |
| Naphtha | $184-186 | +3 |
| *Petroleum Argus Estimates* | | |
| **Other** | | **+ or -** |
| Gold (per troy oz)♣ | $363.25 | +1.00 |
| Silver (per troy oz)♣ | 518c | -2 |
| Platinum (per troy oz) | $501.5 | +4.5 |
| Palladium (per troy oz) | $149.85 | -0.15 |
| Aluminium (free market) | $2005 | -105 |
| Copper (US Producer) | 116⅝-110 | +1 |
| Lead (US Producer) | 36.5c | |
| Nickel (free market) | 580c | +25 |
| Tin (European free market) | $10150 | +250 |
| Tin (Kuala Lumpur market) | 26.43r | +0.38 |
| Tin (New York) | 466.75c | +12.0 |
| Zinc (US Prime Western) | 85⅛c | |
| Cattle (live weight)† | 118.58p | +2.10* |
| Sheep (dead weight)† | 224.85p | +4.41* |
| Pigs (live weight)† | 86.05p | +3.28* |
| London daily sugar (raw) | $279u | -2 |
| London daily sugar (white) | $347.5u | -0.5 |
| Tate and Lyle export price | £288.5 | -2.5 |
| Barley (English feed) | £104.5w | |
| Maize (US No. 3 yellow) | £131.5q | |
| Wheat (US Dark Northern) | £129.25u | |
| Rubber (spot)♥ | 58.00p | +0.75 |
| Rubber (Jul)♥ | 64.50p | +0.75 |
| Rubber (Aug)♥ | 64.50p | +0.75 |
| Rubber (KL RSS No 1 Jun) | 280.0m | |
| Coconut oil (Philippines)§ | $570x | |
| Palm Oil (Malaysian)§ | $400 | |
| Copra (Philippines)§ | $357.5 | -7.5 |
| Soyabeans (US) | £194q | |
| Cotton "A" index | 76.30c | +0.15 |
| Wooltops (64s Super) | 617p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. q-Jun. x-Aug/Sep. w-Aug z-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

**COCOA £/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 758 | 765 | 761 | 754 |
| Jul | 773 | 780 | 777 | 765 |
| Sep | 793 | 794 | 795 | 780 |
| Dec | 836 | 842 | 846 | 826 |
| Mar | 848 | 846 | 850 | 832 |
| May | 860 | 846 | 863 | 842 |
| Jul | [illegible] | [illegible] | [illegible] | [illegible] |

Turnover: [illegible]

**COFFEE £/tonne** [illegible]

**SUGAR ($ per tonne)** [illegible]

**CRUDE OIL $/barrel** [illegible]

**GAS OIL $/tonne** [illegible]

**WOOL** [illegible]

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| Aluminium, 99.7% purity ($ per tonne) | | | | | | Ring turnover 19,000 tonne |
| Cash | 2045-50 | 2120-30 | 2016 | 2005-10 | | |
| 3 months | 1950-2 | 1980-5 | 1952/1920 | 1925-6 | 1940-5 | 34,772 lots |
| Copper, Grade A (£ per tonne) | | | | | | Ring turnover 38,700 tonne |
| Cash | 1652-3 | 1698-8 | 1680/1652 | 1657-8 | | |
| 3 months | [illegible] | [illegible] | [illegible] | [illegible] | 1662-4 | 76,315 lots |

[illegible]

**POTATOES £/tonne** [illegible]

**SOYABEAN MEAL £/tonne** [illegible]

**FREIGHT FUTURES $10/index point** [illegible]

**GRAINS £/tonne** [illegible]

**PIGS (Cash Settlement) p/kg** [illegible]

**LONDON BULLION MARKET** [illegible]

**LONDON METAL EXCHANGE TRADED OPTIONS** [illegible]

**LONDON FOX TRADED OPTIONS** [illegible]

## US MARKETS

IN THE METALS, gold and silver futures drifted lower on scattered selling, reports Drexel Burnham Lambert. Copper trading was light with prices swaying around unchanged for most of the day. Platinum remained above the $500 level basis July after sideways trading. In the softs, cocoa recovered from its recent decline on some short-covering, but heavy switch trading made up most of the volume. Coffee futures were lower due to elected sell-stops and lack of fresh buying. The sugar market fell late in the day on new fund selling. The energy complex was weak as light profittaking throughout the session kept prices from advancing. The upcoming OPEC meetings next week kept some traders on the sidelines. The grains markets featured lower soybean prices due mostly to spread liquidation. July beans fell 3, closing at 714. Corn and wheat futures were slow. In the livestocks, evening up ahead of the storage report helped pork belly futures advance. Short-covering in the cattle and hog markets pushed prices higher, correcting their oversold conditions.

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 363.3 | 365.7 | 366.1 | 363.0 |
| Jul | 363.8 | 367.0 | 0 | 0 |
| Aug | 366.5 | 369.7 | 369.5 | 366.3 |
| Oct | 370.5 | 373.7 | 373.3 | 370.2 |
| Dec | 374.5 | 377.5 | 377.5 | 374.3 |

[illegible]

**PLATINUM 50 troy oz; $/troy oz.** [illegible]

**SILVER 5,000 troy oz; cents/troy oz.** [illegible]

**COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 113.45 | 113.60 | 114.60 | 113.60 |
| Jul | 114.35 | 114.30 | 115.20 | 113.60 |
| Aug | 113.90 | 0 | 0 | 0 |
| Sep | 112.65 | 112.60 | 113.20 | 112.00 |
| Dec | 111.55 | 111.70 | 113.20 | 111.00 |

**CRUDE OIL (Light) 42,000 US galls $/barrel** [illegible]

**HEATING OIL 42,000 US galls, cents/US galls** [illegible]

**COCOA 10 tonnes; $/tonnes** [illegible]

**COFFEE "C" 37,500lbs; cents/lbs** [illegible]

**SUGAR WORLD "11" 112,000 lbs; cents/lbs** [illegible]

**COTTON 50,000; cents/lbs** [illegible]

**ORANGE JUICE 15,000 lbs; cents/lbs** [illegible]

**INDICES** [illegible]

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 714/0 | 717/0 | 722/0 | 709/4 |
| Aug | 685/4 | 688/6 | 694/4 | 685/0 |
| Sep | 648/4 | 650/4 | 656/0 | 648/0 |
| Nov | 628/4 | 632/4 | 639/0 | 626/0 |

[illegible]

**SOYABEAN OIL 60,000 lbs; cents/lb** [illegible]

**SOYABEAN MEAL 100 tons; $/ton** [illegible]

**MAIZE 5,000 bu min; cents/56lb bushel** [illegible]

**WHEAT 5,000 bu min; cents/60lb-bushel** [illegible]

**LIVE CATTLE 40,000 lbs; cents/lbs** [illegible]

**LIVE HOGS 30,000 lb; cents/lbs** [illegible]

**PORK BELLIES 40,000 lbs; cents/lb** [illegible]

## LONDON STOCK EXCHANGE

# Weak pound again unsettles equities

LONDON'S equity market looked increasingly unhappy yesterday as the sterling/DM rate crumbled and local money market rates advanced, bringing into sharper focus the danger that domestic interest rates may have to be raised yet again to protect sterling.

The Footsie Index suffered another double digit fall, although much of the loss was suffered at the opening of the market; share prices rallied from a mid-session low which took the Footsie to within seven points of the 2,100 mark regained only at the beginning of May.

The pattern was set early on when Smith New Court, one of the larger and more aggressive London securities housss, entered the market with a substantial trading programme; Mr Tony Abrahams of Smith confirmed that it was worth around £200m, split equally between huys and sells, with Alpha stocks making up 95 per cent of the total.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| May 22 | Jun 6 | Jun 19 |
| Option Declarations: | | |
| Jun 1 | Jun 15 | Jun 29 |
| Last Dealings: | | |
| Jun 2 | Jun 16 | Jun 30 |
| Account Day: | | |
| Jun 12 | Jun 26 | Jul 10 |

*New time dealings may take place from 9.00 am two business days earlier

With the sell side of the programme already hitting the market, and sterling losing its footing against the DM, equities quickly slid away to show a loss of more than 16 FT-SE points within the first hour of trading. Losses were extended and by mid-session the Footsie was more than 22 points down at 2,107.7.

The market then steadied and despite a sharper deterioration in sterling, a rally set in which left the FT-SE Index at 2,114.4, a final loss on the day of 15.6 points. The mood was helped by a satisfactory reception for the rise of 0.8 per cent in the US leading economic indicators for April, although Wall Street opened quietly.

Seaq volume increased from Tuesday's 458.4m shares to 491.4m, taking in a substantial part of the Smith trading programme, which was largely (but not entirely) completed yesterday.

Selling by the big investment institutions appeared to hs moderats yssterday, although the full picture was masked by the trading programme. At Salomon International, Mr Ian Stephenson commented that fund managers are still highly liquid and therefore more likely to hold off equities than to sell in the present uncertain situation.

High liquidity levels were also suggested by Mr John Reynolds, economist at Prudential Bache, as the reason why selling has so far been restrained. However, he added that sterling remains the key and if domestic rates are forced higher "it is goodbye to a soft landing for the economy".

Higher rates would bring further downgrading of corporate profits, perhaps even undermining his own forecast that profits growth at non-oil industrial companies could shump from around 20 per cent last year to 6 per cent this year, said Mr Reynolds. "An anxious backdrop for the equity market," he summarised.

## FINANCIAL TIMES STOCK INDICES

| | May 31 | May 30 | May 26 | May 25 | May 24 | Year Ago | 1989 High | 1989 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 85.43 | 85.88 | 86.20 | 86.06 | 85.98 | 89.60 | 89.29 (8/2) | 85.43 (31/5) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 96.94 | 96.92 | 96.91 | 96.87 | 96.89 | 98.36 | 99.89 (15/3) | 95.93 (4/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary | 1755.7 | 1765.3 | 1778.8 | 1777.3 | 1774.0 | 1439.6 | 1837.5 (19/5) | 1447.8 (3/1) | 1926.2 (16/7/87) | 49.4 (26/6/40) |
| Gold Mines | 173.5 | 172.6 | 171.2 | 170.4 | 168.1 | 224.5 | 196.1 (28/3) | 154.7 (17/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |

| | May 31 | May 30 | May 26 | May 25 | May 24 | Year Ago |
|---|---|---|---|---|---|---|
| Ord. Di. Yield | 4.53 | 4.50 | 4.47 | 4.47 | 4.48 | 4.59 |
| Earning Yld %(full) | 10.97 | 10.90 | 10.82 | 10.83 | 10.81 | 11.80 |
| P/E Ratio(Net)(☆) | 11.04 | 11.11 | 11.19 | 11.19 | 11.20 | 10.37 |
| SEAQ Bargains(5pm) | 25,855 | 25,337 | 24,802 | 24,160 | 26,230 | 23,718 |
| Equity Turnover(£m)† | - | 1266.61 | 1331.51 | 1283.75 | 1538.77 | 1142.9 |
| Equity Bargains† | - | 29,399 | 26,750 | 26,189 | 28,886 | 27,816 |
| Shares Traded (ml)† | - | 457.8 | 495.6 | 456.2 | 598.3 | 427.8 |

Ordinary Share Index, Hourly changes

| Opening | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1753.6 | 1749.6 | 1751.0 | 1752.9 | 1748.4 | 1750.4 | 1754.1 | 1753.6 |

DAY'S HIGH 1756.0 DAY'S LOW 1747.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.94 †Excluding intra-market business.

### S.E. ACTIVITY

| Indices | May 30 | May 26 |
|---|---|---|
| Gilt Edged Bargains | 96.2 | 98.4 |
| Equity Bargains | 190.5 | 173.3 |
| Equity Value | 2580.2 | 2891.3 |
| 5–Day average | | |
| Gilt Edged Bargains | 108.4 | 107.8 |
| Equity Bargains | 190.8 | 199.0 |
| Equity Value | 2770.9 | 2864.5 |

● London Report and latest Share Index: Tel. 0898 123001

# Heavy trading in ASDA

There was substantial turnover in the shares of Asda, the supermarket group, as talk of stakebuilding helped the retailer's share price outrun the falling equity market. After a day of good two-way business, Asda closed a shade higher at 167½p in volume of 13m shares, with observers noting two large bargains, both in the region of ¾m shares.

It was pointed out that the marketmaker known to have built the 2.55 per cent stake in Asda for First City Financial, the Canadian operation run by the Belzberg brothers, was seen aggressively bidding for Asda stock throughout the day. This, said rival traders, could have been the Belzbergs adding to their holding.

However, one analyst who has followed the Asda story believes the Canadians are not alone in having built a stake in the UK retailer. "Today's buying looks very much like stakebuilding and there has to be a good chance that there's someone else out there picking up stock," he commented.

Speculation that the West German supermarket group Tengelmann wants to bid for Asda, probably via its US operation A&P, refuses to go away, and a recent sighting of A&P directors in London has only served to keep tongues wagging in the market.

### Pilkington nerves

Glassmaker Pilkington registered a sharp 3½ per cent fall of 8 to 231p, after 230p, on turnover of 2.7m shares. There were suggestions that several analysts were making last-minute downgradings ahead of final results which are due on June 14.

Kleinwort Benson denied that it had downgraded, but said it remained bearish on the stock. Mr Jamie Stevenson of Kleinwort identified political problems in Argentina, where a state of emergency has been declared, as a source of damage to the current year's business. "Argentina and Brazil combined account for about 10 per cent of profits," he said. Another leading analyst estimated that Pilkington's business in Argentina alone amounted to 4 per cent of profits.

Mr Stevenson also pointed out there was the possibility of a price war in glass as the UK residential huilding boom slows down. "I am less confident about Pilkington forecasts than of any of the other leading companies in its sector," said Mr Stevenson. His view was supported by at least two other securities houses.

The range for Pilkington pre-tax profit forecasts for the year to last March is around £325m, with £375m suggested for the current year.

### Prudential meeting

Life assurance group Prudential suffered along with the rest of the market and dipped 3 to 175p. Turnover of 3.9m shares was somewhat above recent levels and a direct reaction to bearish news from the company's annual meeting held in London yesterday.

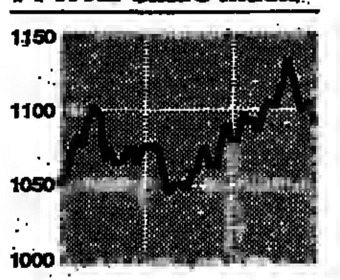
Lord Hunt, the Pru's chairman, told the meeting that the estate agency arm, Prudential Property Services, is likely to record a loss for the year unless there is some recovery in the housing market in the near future.

Lord Hunt said the sharp rise in interest rates in the latter part of 1988 caused a severe downturn in the housing market especially in the South of England, with sales barely half the level of a year ago.

An ambiguous wire service news item gave some dealers the impression that an injunction had been placed on Lyphomed of the US to prevent it selling a drug which might compete with a Fisons product. The firmness of Fisons' share price, unchanged at 300p on a good 3.6m share turnover, seemed to confirm the impression.

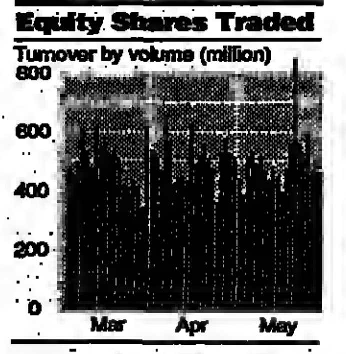
However, Dr Peter Woods, pharmaceuticals analyst at Warburg Securities, said that it was Lyphomed that had taken out the injunction against a small Texas company. He gave four reasons why Fisons was attracting support. One, the warm May boosted sales of horticultural products. Two, medical equipment orders in the US show a 40 per cent improvement over last year. Three, sales in Europe of its anti-asthma drug Intal grew 30 per cent in the first quarter. Four, there was still hope that Fisons would get approval to sell its version of the drug pentamedine which Lyphomed will market. Lyphomed, Dr Woods conceded, would get a head start in the market at least.

FT-A All-Share Index




Equity Shares Traded

Turnover by volume (million)




Reed International firmed 3 to 390p ahead of results expected on June 7 and on further consideration of Tuesday's purchase of TV Times.

A slightly firmer crude oil price ahead of the full meeting of OPEC oil ministers on June 5 kept the oil and gas sector on a relatively even keel. British Gas continued to top the sector's active stocks list with some 11m shares changing hands, well up on Tuesday's 6.5m and on a par with last week's heavy activity. The share price closed only a fraction off at 174½p.

Analysts pointed to the fact that the charts show that Gas shares are now close to their all-time relative low against the rest of the market. "There is little or no downside from here - the dividend expected on June 8 will provide a prop for the shares and we expect the income funds to buy the shares," was the comment from one top researcher.

The BZW profits upgrades helped sustain the oil majors with BP slightly better on the day at 289½p, on turnover of 5.8m. Shell, where turnover topped 4m, were only a shade easier at 408p.

Dealers noted keen interest, notably from one of the top UK houses, for Clyde Petroleum, which managed a minor gain at 145½p. Exploration Company of Louisiana took another step forward, closing 12 better at 248p, still helped by the recent drilling news from North America. Triton Europe picked up 7 to 194p.

The banks sector remained uneasy over the situation in Argentina, but dealers noted the resilient performances from Midland and Lloyds, reckoned to have the largest exposure to that country's foreign debt. Midland, on turnover of 1.6m, managed to end the session unchanged at 335p, while Lloyds were only a couple of pence off at the same price on turnover of 1.5m. NatWest fell 5 to 584p, albeit in very thin trading. Dealers said large numbers of Lloyds, Midland and NatWest had gone through the overnight ticker indicating their inclusion in the big programme trade carried out the previous evening. Standard Chartered dropped 8 to 516p on bigger than usual activity of 1.5m shares.

Merchant banks showed Kleinwort Benson 4 ahead at 302p reflecting the current spate of corporate activity and vague takeover hints.

The life insurance sector retreated across the board but, apart from Prudential, dealers bemoaned the lack of activity in the sector. Pearl was said to have been sold hard with the shares subsequently dipping off to close 5 down at 390p.

The composites featured prominently in the programme trade with large lumps of General Accident, Royals, Sun Alliance and Guardian Royal Exchange highlighted on the overnight ticker. But falls in these stocks were usually minimal.

Brewery stocks were mixed, with Bass dropping 6 to 944p, Allied Lyons and Grand Metropolitan steady at 439p at 539p respectively, Guinness 5 better at 489p and Whitbread "A" 8 ahead at 347p.

Among hotels Trusthouse Forte, a perennial market bid favourite, clambered 10 higher to 331p on turnover of 3.4m shares. Agency broker James Capel was reported to have been a large buyer of THF options. In contrast, Ladbroke gave up some of the recent gains to close 10 lower at 586p.

Leading stores fell sharply with the market, with a number of the sector leaders believed to have been sold as part of the morning's programme trade by Smith New Court. These seemed to include Kingfisher, down 10 at 300p on turnover of 1.5m shares, Marks & Spencer, 5½ easier at 183p on 6.1m, and Sears, 2½ lighter at 117p on 6.4m.

Among second liners Scottish retailer A Goldberg unveiled its first trading loss in 50 years (a deficit of £2.9m) and the shares eased 3 to 162p. Hopes that the poor performance might flush out a bidder probably saved the price from a larger fall, said dealers. Charterhall, the investment company run by the Australian businessman Mr Rnssell Goward, already owns nearly 30 per cent of Goldberg. Charterhall closed unchanged at 21¾p.

Dunhill reported a 29 per cent rise in annual earnings to £45.5m, but in spite of early gains ahead of the figures the cigarette and luxury goods group closed 2 lower at 320p.

Talk of heavy activity in the traded options provided much of the impetus for the Racal Electronics share price which see-sawed before settling a net 3½ ahead at 499p with approaching 7m shares changing hands; the group's preliminary results are expected on June 13 with Panmure Gordon forecasting pre-tax profits of £183m compared with last time's £138m. Racal Telecom, reporting the same day, moved up 4 to 462p.

Ferranti eased a shade to 101p on 2m with the market picking up whispers that news of the Eurofighter radar contract may well be revealed at the Paris Air Show which commences on June 8. Sector specialists said yesterday that Nato European Fighter Management Agency had re-evaluated the bids for the radar contract with the results thought to favour the Ferranti ECR 90 Systsm. "We expect the announcement of a £400m development programme along with other major contracts," said one analyst.

GEC dipped 3 to 236p on 5.3m and Plessey rallied from an initial 260p to close unaltered on balance at 264p after news that the GEC/Siemens partnership had undertaken not to increase their joint stake from the current 14.9 per cent level, following the expiry of the 40-day ruling by the MMC.

British Telecom were slightly easier at 257p on 4.6m in front of today's preliminary results which some dealers expect to be accompanied by various price rises.

Amstrad attracted a fresh bout of selling, with the shares down to 94p at one point before a rally to 98p, marginally up on the day.

Vickers resisted the downward trend, closing unchanged at 207p in steady business. Mr Ed Wright, analyst at Smith New Court, pointed out that Sir Ron Brierley, the New Zealand entrpreneur, tends to be active in the stock, and argued that the deal last month to sell Howson Algraphy to Du Pont of the US would give Vickers a net £200m cash position and, in tims of high interest rates, it would probably take it's time before spending it.

The Foods sector was alive with special situation stocks. Unigate was the most notable performer, its shares gaining 6 at 377p on turnover of 2.5m with Swiss investors said to be chasing the stock. There were unconfirmed reports that Mr Larry Goodman, the Irish businessman with 8.8 per cent, had met Unigate management during the day.

Among other manufacturers an investors seminar on the food industry hosted by broker Charterhouse Tilney in London attracted considerable interest to issues such as Hillsdown, up 3 at 270p, Tate & Lyle, up 1 at 264p and still sought after by US institutions, and United Biscuits, a shade firmer at 333p.

Retailers were also busy, with Argyll losing 3 at 203p as nearly 10m shares changed hands in good two-way trade. Gateway remained unmoved at 204p on turnover of 7.4m shares, with dealers speculating of a rival bid to Isosceles' new 210p-a-share offer, possibly in the shape of a management buyout.

ADT (184p) resisted the market's slide on news of the sale of its Henlys motor dealsr chain for £47.8m to Plaxton.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

## TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASDA Group | 12,725 | 167½ | +½ | Coalcon | 858 | 326 | -5 | Laporte | 195 | 434 | -13 | Royal Bk of Scotland | 90 | 379 | -1 |
| Allied-Lyons | 2,500 | 439 | | Courtaulds | 1,700 | 349 | -4 | Legal & General | 1,200 | 384 | -4 | Royal Insurance | 3,000 | 395 | -5 |
| Amstrad | 3,500 | 98 | +1 | Dalgety | 347 | 367 | -3 | Lloyds Bank | 1,500 | 335 | -2 | STC | 1,750 | 360 | -7 |
| Argyll Group | 9,800 | 203 | -3 | Dixons | 1,800 | 143 | -5 | LASMO | 1,100 | 454 | -7 | Saatchi & Saatchi | 726 | 320 | |
| Ass. Brit. Foods | 181 | 353 | | Eng. China Clays | 1,200 | 470 | -6 | Laurie | 862 | 268 | -4 | Sainsbury | 644 | 240 | +1 |
| BAA | 1,400 | 356 | -4 | Enterprise Oil | 171 | 543 | -5 | Lucas | 1,600 | 619 | -9 | Scott & Newcastle | 686 | 294 | -4 |
| BAT Inds. | 3,000 | 565 | -1 | FKI Babcock | 4,700 | 162 | -1 | MB Group | 589 | 284 | -2 | Sears | 6,400 | 117 | -2½ |
| BET | 3,900 | 265 | -4 | Fisons | 3,600 | 300 | | MEPC | 1,100 | 567 | -9 | Shell Transport | 4,000 | 408 | -2 |
| BICC | 469 | 500 | -3 | Gateway Corp. | 4,000 | 204 | | Marks & Spencer | 6,100 | 182½ | -6 | Slebe | 127 | 523 | -1 |
| BOC | 945 | 483 | -1 | General Accident | 491 | 961 | -10 | Maxwell Comm. | 1,800 | 198 | -3 | Slough Ests. | 410 | 311 | -1 |
| BPB Inds. | 1,900 | 276 | -2 | General Elect. | 5,300 | 236 | -3 | Midland Bank | 1,600 | 335 | | Smith & Nephew | 1,100 | 133½ | -½ |
| BTR | 3,300 | 367 | -5 | Glaxo | 1,800 | 1350 | -25 | Nat. West. Bank | 688 | 584 | -5 | Smiths Industries | 1,200 | 306 | -3 |
| Barclays | 992 | 465 | -2 | Globe Inv. | 217 | 176½ | -½ | Next | 1,200 | 141 | -3 | Standard Chartered | 1,400 | 516 | -8 |
| Bass | 953 | 944 | -6 | Glynwed Int. | 325 | 300 | -2 | Northern Foods | 1,300 | 312 | -2 | Storehouse | 819 | 169 | -5 |
| Beecham | 2,700 | 620 | -4 | Granada | 1,199 | 349 | | Pearl | 757 | 390 | -5 | Sun Alliance | 128 | 1093 | -12 |
| Blue Circle | 852 | 548 | -10 | Grand Met. | 2,100 | 539 | | Pearson | 157 | 702 | -3 | T&N | 796 | 227 | -1 |
| Boots | 1,300 | 286½ | -2½ | GUS A | 448 | 1015 | -17 | P & O | 740 | 655 | -9 | TSB | 1,800 | 105½ | |
| Brit. & Comm. | 1,000 | 178 | -4 | GRE | 2,400 | 206 | | Pilkington | 2,700 | 231 | -8 | Tarmac | 3,600 | 324 | -5 |
| Brit. Aerospace | 2,400 | 662 | -5 | GKN | 1,100 | 397 | -2 | Plessey | 889 | 264 | | Tate & Lyle | 1,200 | 264 | +1 |
| British Airways | 2,600 | 200 | -2 | Guinness | 2,300 | 489 | +5 | Polly Peck Intl. | 637 | 289 | -5 | Taylor Woodrow | 347 | 436 | -5 |
| British Gas | 11,000 | 174½ | -½ | Hammerson "A" | 55 | 781 | -3 | Prudential | 3,900 | 175 | -3 | Tesco | 1,900 | 174 | |
| British Land | 713 | 357 | -7 | Hanson | 9,100 | 199½ | -3 | RMC | 539 | 444 | -4 | THORN EMI | 1,000 | 698 | -1 |
| BP | 5,800 | 289½ | +½ | Harrisons & Cros. | 638 | 173 | -2 | RMC | 943 | 753 | -5 | Trafalgar House | 1,200 | 371 | -2 |
| British Steel | 16,000 | 87½ | -1 | Hawker Siddeley | 179 | 695 | -5 | RTZ | 1,500 | 497 | -2 | Trusthouse Forte | 3,400 | 331 | +10 |
| British Telecom | 4,600 | 257 | -½ | Hillsdown Hldgs. | 3,000 | 270 | +5 | Racal | 6,700 | 499 | +3½ | Ultramar | 1,100 | 301 | -3½ |
| Burmah Oil | 122 | 591 | -3 | ICI | 212 | 231 | -2 | Rank Org. | 935 | 950 | -17 | Unilever | 2,000 | 545 | -8 |
| Burton | 1,900 | 212 | -5 | Imp. Chem. | 1,400 | 1263 | -10 | Reckitt & Colman | 387 | 1111 | -28 | United Biscuits | 2,500 | 333 | +1 |
| Cable & Wireless | 2,400 | 556 | -2 | Inchcape | 1,200 | 280 | -1 | Redland | 1,300 | 584 | -2 | Utd. Newspapers | 665 | 430 | -5 |
| Cadbury Schweppes | 2,400 | 347 | | Jaguar | 1,400 | 346 | -1 | Reed International | 2,000 | 390 | +4 | Wellcome | 851 | 453 | -3 |
| Carlton Comms. | 878 | 861 | -10 | Kingfisher | 1,500 | 300 | -10 | Reuters | 934 | 818 | -15 | Whitbread "A" | 1,839 | 347 | +8 |
| Commercial Union | 858 | 365 | -3 | Ladbroke | 1,100 | 586 | -10 | Rolls Royce | 4,100 | 187 | -4 | Williams Hldgs. | 3,025 | 252 | -7 |
| Cons. Gold Fields | 660 | 1210 | -12 | Land Securities | 3,000 | 565 | -12 | Rothmans | 116 | 520 | -4 | Wimpey | 1,100 | 281 | -4 |

### NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (76). AMERICANS (7) CANADIANS (3) [illegible] ELECTRICALS (4) ENGINEERING (3) [illegible] FOODS (3) [illegible] HOTELS (1) T.H.F., INDUSTRIALS (11) Boot (Henry), Brit. Syphon, Carbo, Eurotunnel Units, Expamet Intl., Ne-Swift, Office & Elect., Rolfe & Nolan, Sidlaw, Unilock, Waterman Part., INSURANCE (1) Travelers, LEISURE (2) Castle Comms., Yorkshire TV, NEWSPAPERS (2) News Int. Spec. Div., Trinity Intl Hldgs., PAPERS (2) Geers Gross, More O'Ferr., PROPERTY (2) Palmerston, Watergiade Intl., TRUSTS (11) OILS (4) OVERSEAS TRADERS (1) Sime Darby, MINES (1) Metals Ex., THIRD MARKET (1) Season.

NEW LOWS (130). BRITISH FUNDS (55) INT.BANK & O'SEAS GOVT. STLG. ISSUES (6) LOANS [illegible] [illegible] Oakwood, Sale Tilney, Third Mile, Walker Greenbank, INSURANCE (2) Abbey Life, Pearl, LEISURE (1) Classic Tb'breds, MOTORS (4) PAPERS (8) Brunning Grp., Monotype Corp., Usher Walker, PROPERTY (3) Peel Hldgs., Pennant Props., SHIPPING (1) P & O 5¼pc Red Pf, TEXTILES (7) TRUSTS (3) Brit. & Comm., Fleming High Inc Inv, Gen. Cons. I.T. Stepped Prf, PLANTATIONS (1) Moran, MINES (3) Australis Mining, Harmony, Julia Mines.

## APPOINTMENTS

# Minet makes changes

■ J.H. MINET & CO have made the following board appointments: Mr R. Allam, finance director; with the following as divisional managing directors - Mr J. Dewen, broking accounts; Mr M. Ellis, aviation; Mr J. Hollinrake, fine arts and jewellery; Mr K. Sammons, office services; and Mr R. Wells, insurance services. Appointed as executive directors of the company's international onshore energy and non-marine division are: Mr Joe Crawford, Mr Mark Girardot, Mr Alan Lancaster, Mr Charles O'Sullivan, Mr Ramnik Rajguru and Mr Neil Shaw. The following become directors of the division: Mr Kevin Brown, Mr Jonathan Creagh Coen, Mr Mohammed Ghunaim, Mr David Lowther and Mr Kenneth O'Reilly-Hyland.

■ Mr Christopher Penn has been appointed president of PEARSON's recently-formed Japanese subsidiary, Pearson K.K., Tokyo. He was director of management resources at Pearson's head office in London.

■ Mr George Shiels has been appointed managing director of YORKSHIRE BANK DEVELOPMENT CAPITAL. He was a senior director of Charterhouse Development Capital.

■ Mr Nick Hayes has been appointed deputy chairman of Shoralplan, relinquishing the role of managing director. This will enable him to concentrate on the development of the parent company, CHESTERGATE GROUP, and the implementation of its acquisition programme. Mr Richard Bennett, a director of both companies, becomes managing director of Shoralplan. Mr Ian Statt is made finance director of the group, succeeding Mr Ian Barclay who is leaving.

■ BUSINESS MORTGAGES TRUST has appointed Dr Michael Peagram as a non-executive director. He is chairman and chief executive of Holliday Chemical Holdings.

■ Mr Nigel Ledeboer, senior director responsible for European investment, has been appointed to the board of GT MANAGEMENT.

■ TRY BUILD has appointed Mr Terry Wood as managing director. He was a director of R. Mansell (City).

■ Mrs Marlyn Watt, has been appointed sales director of BALFOUR BEATTY HOMES (Scotland), a BICC company. She was sales manager.

■ Mr Charles Harris has been appointed motor fleet manager at IRON TRADES INSURANCE GROUP from June 1.

■ Mr Nicholas Prest has been appointed deputy chief executive of UNITED SCIENTIFIC HOLDINGS. He was marketing director.

■ Mr Ian L. Stimson has been appointed general manager of DUNLOP-ELDEC ELECTRONICS, a joint venture company recently formed by Dunlop aviation division, Coventry, and Eldec Corporation, Seattle, US. He was director of technical services of the aviation division. Dunlop Aerospace Group is a subsidiary of BTR.

■ Mr Ken Partington has been appointed marketing director for Kalon decorative products, largest operating division of the KALON GROUP. He was with Thomas French.

■ TRINITY INTERNATIONAL HOLDINGS has appointed Mr Michael David Masters as financial director in succession to Mr John McKenna. Mr McKenna has been appointed president and chief executive of the Canadian newspaper division from July 1. He will continue as a main board director.

■ Mr Mike Edwards has been appointed sales and marketing director of WICKMAN BENNETT MACHINE TOOL COMPANY, Coventry. He was managing director of William Watts, Nottingham.

■ Mr Richard Davey has been appointed a director and Mr Christopher French and Mr Rueben Goldberg (Mexico) non-executive directors of N.M. ROTHSCHILD & SONS.

■ BROADCAST COMMUNICATIONS has made the following appointments. Mr Ciaron Fenton becomes managing director, Mr Patrick Harpur, executive director, and Mr Peter Berry, non-executive director of Business Television; Ms Susan Lowery, managing director, Mr Nick Dyne, executive director, and Mr Berry, non-executive director, of Broadcast Communications (Corporate); Mr Michael Hogan, managing director, and Mr Berry non-executive director of Channel Five Television.

■ PRESTWICH has apppointed to its main board Mr Steve Ayres, chief executive of subsidiary Video Collection International.

■ Sir Kenneth Corfield has been appointed non-executive chairman of TANKS CONSOLIDATED INVESTMENTS, a wholly-owned subsidiary of La Societe Generale de Belgique.

■ CONDER GROUP has appointed Mr Rex Cadwaladr to one of the newly-created posts of divisional director. Mr Cadwaladr, previously managing director of Giltspur, a division of Unigate, will be responsible for Conder Technology, Clearwater, and Conder's Canopy, Tanks and Clentech operations.



## COMPANY NOTICES

### GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that rasulting from tha Corporation's Declaration of a Dividend of $0.75c (gross) per share of the Common Stock of the Corporation, payable on the 10th June, 1989 there will become due in respect of Bearer Depositary Receipts a gross distribution of 7.5 cents per unit The Depositary will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 15th June 1989.

All claims must be accompanied by a completed Claim Form and USA Tax Declaration obtainable from the Depositary. Claimants other than UK banks and Members of The Stock Exchanga must lodge their Bearer Depositary Receipts for marking. Postal claims cannot be accepted. The Corporation's First Quarter Report for 1989 will be availabla upon application to the Depositary named below.

Barclays Bank PLC
Stock Exchanga Services Department
54 Lombard Street London EC3P 3AH

MELLON BANK NA
USD 250,000,000 FLOATING RATE
SUBORDINATED CAPITAL NOTES DUE NOV 1996

Notice is hereby given that for the period 31 May 1989 to 31 August 1989 the Notes will carry an interest rate of [illegible] per annum. Interest payable on 31 August will be USD 1,251.21 per USD 50,000 Note.

CHEMICAL BANK
AGENT BANK

### LEGAL NOTICE

No. [illegible] of 1989

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF BAKER HARRIS SAUNDERS GROUP PLC

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

Notice is Hereby Given that a Petition was on the 4th day of May 1989 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above named Company.

And Notice is Further Given that the said Petition is directed to be heard before the Honourable Mr Justice [illegible] at the Royal Courts of Justice, Strand, London WC2 2LL on Monday the 12th day of June 1989.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account of the Company should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 1st day of June 1989

Ashurst Morris Crisp,
Broadgate House,
7 Eldon Street,
London EC2M 7HD
Solicitors for the above named Company

GENERAL MINING UNION CORPORATION LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/01232/06
NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the members of General Mining Union Corporation Limited will be held in the board room, 6th floor, General Mining Building, 6 Hollard Street, Johannesburg, on Monday, 19 June 1989, to consider and if deemed fit, pass a Special Resolution converting the bound and unissued authorised "B" ordinary shares into ordinary shares in the share capital of the Company.

Full details are to be found in a circular to members dated 25 May 1989, copies of which are available to holders of share warrants to bearer at: GENCOR (U.K.) LIMITED, 30 Ely Place, London EC1N 6UA.

25 May 1989

Quebec Central Railway Company
Capital Stock

In preparation for the payment of the half-yearly dividend due July 1 1989 on the above stock, the transfer books will be closed at 3.30 p.m. on June 15 1989 and will be re-opened on July 3, 1989.

D.R.Keast
Assistant Secretary
62-65 Trafalgar Square,
London WC2N 5DY.
May 31 1989

### CLUBS

EVE has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 01-734 0557 189, Regent St. London.

MUSEUMS AND ART GALLERIES

The Financial Times proposes to publish this survey on:
17th June 1989

For a full editorial synopsis and advertisement details, please contact:
Alison Hess
on 01-873 4677
or write to her at:
Number One
Southwark Bridge
London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

## AUTHORISED UNIT TRUSTS

**Abbey Unit Tst Mngrs (1000)H**
80 Holdenhurst Rd, Bournemouth 0345 717373

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **High Income** | | | | | | |
| American Income | 6 | 54.07 | 54.61 | 58.10 | -0.44 | 4.72 |
| Gilts & Fixed Int | 6 | 111.6 | 111.6 | 118.4 | -0.2 | 8.45 |
| High Inc Equity | 6 | 121.6 | 134.7 | 143.3 | -1.2 | 4.43 |
| Worldwide Bond | 6 | 197.9 | 197.9 | 209.6 | -0.5 | 4.63 |
| **Capital Growth** | | | | | | |
| American Growth | 5 | 187.1 | 188.9 | 201.0 | -0.2 | 1.23 |
| Asian Pacific | 6 | 100.5 | 102.4 | 109.0 | .... | 0.64 |
| Assets & Earnings | 6 | 158.9 | 162.9 | 173.4 | -1.5 | 1.50 |
| Capital Reserve Acc | B | 84.99 | 84.99 | 85.11 | +0.05 | 4.70 |
| Commodity & Energy | 6 | 99.45 | 102.3 | 108.9 | -0.7 | 0.96 |
| 1992 Enterprise | 6 | 57.18 | 58.35 | 62.08 | -0.62 | 2.90 |
| European Capital | 6 | 84.05 | 84.63 | 95.04 | +0.54 | 0.83 |
| General | 6 | 175.6 | 177.9 | 189.3 | -2.0 | 2.38 |
| Japan | 6 | 110.2 | 111.9 | 119.1 | +0.9 | 0.00 |
| Mastertrust | 6 | 80.49 | 85.94 | 91.44 | -0.12 | 1.56 |
| UK Growth Acc | 6 | 201.6 | 210.4 | 223.9 | -1.2 | 1.00 |
| UU Growth Dist | 6 | 134.5 | 140.3 | 149.3 | -0.8 | 1.51 |
| US Emerging Cos | 6 | 56.16 | 57.93 | 61.63 | ... | 0.00 |
| Income & Growth | 6 | 288.40 | 295.0 | 313.9 | -4.0 | 3.27 |
| Ethical | 6 | 49.16 | 50.97 | 53.64 | -0.4 | 2.33 |

**Abtrust Management Ltd (1000)H**
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Amer Inc & Growth | 5 | 30.94 | 30.94xd | 33.01 | -0.31 | 3.46 |
| European | 5¼ | 62.30 | 62.41 | 66.65 | +0.40 | 0.00 |
| European Income | 5¼ | 62.38 | 62.38xd | 65.60 | +0.11 | 3.21 |
| Exempt | 1 | 802.0 | 802.0 | 837.0 | -9.1 | 2.29 |
| Extra Income | 5 | 42.63 | 42.63 | 45.51 | -0.40 | 5.69 |
| F East Emerg Econs | 5¼ | 46.02 | 46.61 | 49.92 | -0.04 | 0.88 |
| Fixed Int Tst | 5 | 121.9 | 121.9xd | 130.1 | -0.58 | 2.55 |
| Do Accum | 5 | 189.8 | 189.6 | 202.6 | -0.01 | 2.56 |
| Gilt & Fixed Int | 5¼ | 22.01 | 22.01 | 23.49 | — | 10.45 |
| Income & Growth | 5¼ | 72.09 | 72.09xd | 76.95 | -1.00 | 4.33 |
| Intl Income | 5¼ | 63.04 | 63.04xd | 67.29 | -0.43 | 5.34 |
| Japan | 6¼ | 187.6 | 187.6 | 200.5 | -0.10 | 0.00 |
| Pacific | 5¼ | 353.1 | 356.9xd | 382.2 | -1.80 | 0.85 |
| Secure Income | 6 | 194.5 | 194.5xd | 207.7 | -2.30 | 6.34 |
| Sentinel Spec Sits | 5 | 272.1 | 272.1xd | 290.5 | -3.20 | 1.73 |
| Smaller Companies | 5¼ | 60.74 | 60.74 | 64.84 | -0.20 | 2.94 |
| Special Situations | 5¼ | 70.29 | 70.29xd | 75.83 | -0.91 | 1.66 |
| UK Growth | 5 | 36.00 | 36.83xd | 39.31 | -0.47 | 2.69 |
| UK Top 100 | 5¼ | 23.41 | 23.41xd | 27.12 | -0.35 | 3.36 |
| World Growth | 5 | 50.65 | 50.65xd | 54.67 | -0.19 | 0.53 |

**Acorn Unit Trust Managers Ltd (1100)F**
1 White Hart Yd, London Bridge SE1 1NX 01-407 5966

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Ethical Tst | 5 | 103.6 | 103.8 | 169.6 | +0.4 | 3.00 |

**Aegis Unit Tst Mngmt Ltd (1400)F**
94 Whiteladies Rd, Bristol, BS8 2QX 0272 237593

[illegible]

## GUIDE TO UNIT TRUST PRICING

**INITIAL CHARGES**
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

**OFFER PRICE**
The price at which units may be bought.

**BID PRICE**
The price at which units may be sold.

**CANCELLATION PRICE**
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

**TIME**
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

**HISTORIC PRICING**
The letter U denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

**FORWARD PRICING**
The letter F denotes that prices are set on a forward basis or that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Citiline. To obtain your free Unit Trust Code Booklet ring the FT Citiline help desk on 01-925-2128

| | Init Chge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Windsor Trust Mngrs Ltd (1200)F** | | | | | | |
| 83 Kingsway, London, WC2B 6SD 01-405 8331 | | | | | | |
| General & Equity | 5 | 63.89 | 65.74 | 69.93 | -0.35 | 6.97 |
| European | 5 | 63.12 | 63.43 | 67.47 | -0.63 | 0.09 |
| Far Eastern | 5 | 60.65 | 60.75 | 64.62 | -0.28 | 0.76 |
| Growth Inc | 5 | 88.29 | 91.59 | 97.43 | -0.61 | 1.39 |
| Growth Acc | 5 | 88.29 | 91.50 | 97.43 | -0.61 | 1.39 |
| Income Inc | 5 | 84.18 | 86.06 | 91.55 | -0.58 | 4.78 |
| Income Acc | 5 | 84.18 | 86.06 | 91.55 | -0.58 | 4.78 |
| Property Share | 5 | 55.00 | 55.00 | 58.61 | -0.36 | 0.98 |
| Smaller Co's | 5 | 58.48 | 61.64 | 65.62 | -0.42 | 1.47 |
| Formerly EBC Trust Management Ltd | | | | | | |
| Nth American | 5 | 62.49 | 62.49 | 66.52 | -0.05 | 1.60 |
| International | 5 | 46.34 | 46.34 | 49.53 | -0.74 | 1.43 |
| **Wright Seligman Fund Mngrs Ltd (1600)H** | | | | | | |
| 11 Blomfield St, London EC2M 7AY 01-588 0592 | | | | | | |
| Growth | 5 | 110.44 | 110.44 | 115.44 | | 3.22 |
| Weekly dealing day Tuesday | | | | | | |
| **The Yorkshire Unit Tst Mngrs Ltd (1100)F** | | | | | | |
| Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250 | | | | | | |
| Yorkshire General | 5¼ | 63.99 | 66.47 | 70.71 | -0.34 | 2.63 |
| YUTM Hi Cap Inc Tst | 5¼ | 60.15 | 62.25 | 66.22 | -0.69 | 6.61 |
| YUTM and Comm Tst | 5¼ | 50.37 | 50.37 | 53.75 | -0.11 | 2.02 |

## OTHER UK UNIT TRUSTS

| | Bid Price | Offer Price | + or - | Yield |
|---|---|---|---|---|
| **Baillie Gifford & Co Ltd** | | | | |
| Int'l Exmt May 17 | 480.4 | 490.6 | | - |
| **Cent. Bd. of Fin. of Church of England‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |
| Inv Fund Apr 30 | 307.45 | | | 4.67 |
| Fxd Int Ser Apr 30 | 141.15 | | | 10.13 |
| Deposit Apr 30 | 100.00 | | | 12.45 |
| **Charities Official Invest. Fund‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |
| Income Apr 30 | 400.64 | | | 4.97 |
| Accum Apr 30 | 1579.44 | | | - |
| **Edinburgh Fund Mngrs PLC** | | | | |
| Exempt Funds | | | | |
| Amer X-Inc May 31 | 147.6 | 152.7 | +2.8 | 1.49 |
| Managed May 31 | 131.5 | 136.4 | -1.7 | 2.11 |
| Japan June 1 | 142.4 | 146.4 | +1.2 | 0.14 |
| Pacific May 26 | 460.7 | 473.4 | -27.5 | 0.21 |
| Sm Jap Cos May 26 | 268.9 | 276.3 | +4.4 | 0.10 |
| **Fidelity Investment Services Ltd** | | | | |

## INSURANCES

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

### Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| American | 131.0 | 138.0 | -1.0 | - |
| Building Soc. Fd. | 170.0 | 179.0 | ..... | - |
| Balanced | 282.0 | 297.0 | -1.0 | - |
| European | 171.0 | 180.0 | +1.0 | - |
| GT Managed | 175.0 | 185.0 | ..... | - |
| Gartmore Mngd. | 116.0 | 123.0 | ..... | - |
| German | 117.0 | 124.0 | +1.0 | - |
| Gilt | 180.0 | 190.0 | -1.0 | - |
| Global | 48.0 | 51.0 | ..... | - |
| High Inc | 111.0 | 128.0 | ..... | - |
| International Equity | 193.0 | 204.0 | ..... | - |
| Japan | 241.0 | 254.0 | -1.0 | - |
| Managed | 63.0 | 67.0 | ..... | - |
| Property | 279.0 | 294.0 | ..... | - |
| S. W. Imperial Gold | 144.0 | 152.0 | ..... | - |
| UK Equity | 369.0 | 389.0 | -4.0 | - |
| **Pension Funds** | | | | |
| American | 154.0 | 163.0 | ..... | - |
| Building Soc. Fd | 170.0 | 179.0 | ..... | - |
| Balanced | 219.0 | 231.0 | ..... | - |
| European | 166.0 | 175.0 | ..... | - |
| German | 103.0 | 109.0 | ..... | - |
| Gilt | 154.0 | 163.0 | ..... | - |
| International Equity | 142.0 | 150.0 | ..... | - |
| Japan | 136.0 | 144.0 | ..... | - |
| Managed | 64.0 | 68.0 | ..... | - |
| Property | 215.8 | 227.0 | ..... | - |
| UU Equity | 330.0 | 348.0 | -4.0 | - |

### Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Balanced Gwth Mngd. | 600.0 | 632.3 | -1.9 | - |
| Adventurous Mngd. | 128.2 | 135.1 | -0.5 | - |
| Secure Mngd. | 110.3 | 116.3 | +0.2 | - |
| Cash Fd | 232.3 | 244.8 | ..... | - |
| Property Fund | 285.1 | 303.3 | ..... | - |
| Equity Fund | 672.4 | 715.4 | -2.2 | - |
| Fxd. Int. Fund. | 292.3 | 311.0 | -1.3 | - |
| International | 308.6 | 328.9 | -0.9 | - |
| High Income | 476.9 | 507.4 | -1.6 | - |
| Far East | 441.2 | 465.0 | -1.7 | - |

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IOM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

# FT UNIT TRUST INFORMATION SERVICE

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Equitilink International Mngt Ltd** | | | | |
| First Aust Prime Inc Inv Co Ltd NAV May 26 C$12.01xd | | | | |
| First Aust Prime Inc Inv Co Ltd NAV May 26 US$9.98xd | | | | |
| NAV Diluted to reflect exercise of all Wrnts C$12.02 US$9.99 | | | | |
| **Ermitage Group** | | | | |
| Managed Fund | $28.55 | | ----- | - |
| £ Sterling Equivalent | £18.21 | | ----- | - |
| Bermuda Fd | £10.96xd | | ----- | 6.25 |
| Cash Fund | C33.28 | | ----- | - |
| F.S. Perseus | $11.89 | 12.01 | ----- | - |
| GAM Ermitage Ltd | $26.57 | | ----- | - |
| Ermitage Dollar Fd | $15.39 | | ----- | - |
| **Fidelity International (CI) Ltd** | | | | |
| Sterling American (z) | £54.40 | 164.30d | -0.90 | - |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Warburg Investment Management Jersey Ltd — Contd.** | | | | |
| **Warburg Money Market Trust Ltd** | | | | |
| £ Managed | £12.82 | 13.50 | +0.01 | - |
| US$ Managed | $34.91 | 36.76 | +0.03 | - |
| £ Sterling | | £30.50 | | - |
| US$ | | $45.06 | +0.03 | - |
| D Mark | | DM92.99 | +0.05 | - |
| Yen | | Y9519 | +4 | - |
| Dutch Guilder | | Dfl126.22 | +0.08 | - |
| Sw Fr | | SF86.52 | +0.05 | - |
| **Mercury Offshore Stlg Tst-SICAV** | | | | |
| Global Fund (z) | £1.129 | 1.200 | -0.001 | 1.39 |
| Overseas Fund (z) | £1.206 | 1.282 | +0.000 | 0.01 |
| European Fund (z) | £1.069 | 1.137 | +0.006 | 0.64 |
| Japan Fund (z) | £1.212 | 1.298 | +0.061 | 0.09 |
| N American Fund (z) | £1.284 | 1.332 | +0.003 | 0.09 |
| Pacific Fund (z) | £1.217 | 1.314 | +0.011 | 1.43 |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **NEL Britannia International Ltd** | | | | |
| PO Box 119, St Peter Port, Guernsey 0481 25731 | | | | |
| £ Pens Managed Gwth | 93.7 | 100.7 | ----- | - |
| $ Pens Managed Gwth | $0.936 | 1.005 | ----- | - |
| Building Society | 93.7 | 100.7 | ----- | - |
| Safety | 93.7 | 100.7 | ----- | - |
| Far East | 93.7 | 100.7 | ----- | - |
| Gartmore Intl Gwth | 93.7 | 100.7 | ----- | - |
| Fidelity Intl | $0.935 | 1.005 | ----- | - |
| Guinness Flight Intl | $0.935 | 1.005 | ----- | - |
| **NM Schroder Life Assurance Int Ltd** | | | | |
| Box 273, St. Peter Port, Guernsey 0481 28750 | | | | |
| Mngd. Crncy Life Fund | C9.067 | 9.742 | +0.061 | - |
| £ Fixed Int Life Fund | C11.741 | 12.616 | +0.015 | - |
| £ Equity Life Fund | £2.769 | 2.969 | -0.04 | - |
| $ Fixed Int. Life Fund | $1.976 | 2.124 | +0.003 | - |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **CL-Alexanders Rouse (Bermuda) Ltd** | | | | |
| Sycamore Fund Ltd | $16.932 | | ----- | - |
| S'fund Gtd Ltd Mar 31 | $10.201 | | ----- | - |
| **Capital House Investment Management Ltd** | | | | |
| Emperor Fund | $17.23 | 18.10 | +0.11 | 0.17 |
| Euro Global Inv Fd | $93.76 | 98.50 | -1.15 | 0.51 |
| **Capital International** | | | | |
| Capital Int. Fund | $87.36 | | ----- | - |
| **Commodities Fund Administrators Ltd** | | | | |
| Commodities Guaranteed Fund/USA NAV Apr 28 $7.70 | | | | |
| **Connaught Investments Ltd** | | | | |
| Connaught World Growth | $16.08 | 17.23 | ----- | - |
| Connaught Goldmine Fd | $4.79 | 5.04 | ----- | - |
| Connaught Pacific Est | $14.21 | 14.93 | ----- | - |
| Connaught Tsaiwan Fd | $13.94 | 14.65 | ----- | - |

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

# LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **The Charities Deposit Fund** | | | | |
| 2 Fore Street, London EC2Y 5AD 01-588 1815 | | | | |
| Deposit | 13.00 | | - | 13.65 3-Mth |
| **Gartmore Money Management Ltd** | | | | |
| 2-3 White Hart Yard, London SE1R 1NX. 01-236 1425 | | | | |
| Call Fd | 13.10 | 10.31 | 14.11 | 6-Mth |
| 7-day Fund | 13.12 | 10.19 | 13.93 | 6-Mth |
| Special Fund | 13.38 | - | 14.23 | Mth |
| Dollar | 8.62 | 6.75 | 9.23 | 3-Mth |

# Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **AAB-Allied Arab Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD 01-629 6802 | | | | |
| DMMA (£2,001+) | 13.67 | 10.70 | 14.98 | Mnth |
| HICA (£2,001+) | 13.10 | 10.25 | 14.53 | Mth |
| **Aitken Hume** | | | | |
| 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 12.50 | 9.78 | 13.52 | Qtr |
| Mth Int Chq £1000-£5000 | 12.50 | 9.78 | 13.64 | Mth |
| Mth Int Chq £5,000+ | 13.00 | 10.17 | 14.20 | Mth |
| **Bank of Ireland High Interest Cheque Acc** | | | | |
| 36 Queen St, EC4R 1BN. 01-625 7000 | | | | |
| 2,000-9,999 | 12.780 | 10.000 | 13.642 | Qtr |
| £10,000+ | 13.099 | 10.250 | 14.201 | Qtr |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH. 01 601 6746 | | | | |
| Money Mkt Cheque Acc | 12.80 | 10.01 | 13.99 | Mth |
| **Barclays Prime Account** | | | | |
| PO Box 125, Northampton 0604 252891 | | | | |

# Money Market Trust Funds

UNIT TRUST NOTES

# LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

## AMERICANS—Contd

| 1989 High | Low | Stock | Price | + or - | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 423p | 278p | Collinet Sftwr 1c | 413p | -10 | – | – | – |
| 27⅞ | 21⅜ | Dana Corp. $1 | 26⅝ | -⅛ | $1.60 | – | 3.8 |
| 11⅞ | 854p | Data General | 11⅛ | -⅛ | – | – | – |
| 35½ | 28⅛ | Dun & Bradstreet $1 | 35½ | +⅛ | $2.00 | – | 3.6 |
| 39½ | 30½ | Exxon Corpn. 50c | 39⅛ | -⅛ | k$2.00 | – | 3.2 |
| 11⅞ | 8⅞ | Echlin Inc | 11⅛ | -⅛ | 70c | – | 4.8 |
| 20¼ | 16⅞ | FPL Group 1c | 19⅞ | -⅛ | $2.20 | – | 7.1 |
| 32¼ | 27⅝ | Ford Motor $1 | 30⅞ | +⅛ | $3.00 | – | 6.1 |
| 40¼ | 30⅞ | GATX 62½c | 37⅞ | -⅛ | $2.00 | – | 3.2 |
| 34⅞ | 24¼ | Gen. Elect. 63c | 34½ | -⅛ | $1.64 | – | 3.0 |
| 567p | 484p | General Host Corp $1 | 532p | -18 | 28c | – | 3.3 |
| 39¼ | 18¼ | Gillette $1 | 25⅞ | +⅛ | 96c | – | 2.4 |
| 834p | 616p | Gt Am First Svgs Bk $1 | 810p | -12 | 60c | – | 4.7 |
| 21⅞ | 16⅞ | Greyhound $1½ | 21¼ | -¼ | $1.32 | – | 4.0 |
| 13¼ | 847p | Hasbro Inc 50c | 13¼ | +¼ | 16c | – | 0.8 |
| | | For Home Group see Ambase Corp | | | | | |
| 49¼ | 32¼ | Honeywell $1½ | 47¼ | -1 | [illegible] | – | 2.8 |
| 18⅞ | 15¼ | Houston Inds | 18⅝ | -¼ | [illegible] | – | 10.1 |
| 74⅝ | 63⅛ | IBM Corpn $1¼ | 68⅞ | -1½ | [illegible] | – | 4.5 |
| 52p | 45p | Image Storage/R.Sys.1c | 45p | ..... | – | – | – |
| 26½ | 18¾ | Ingersoll-Rand $2 | 26⅞ | -⅛ | [illegible] | – | 2.5 |
| 30¼ | 22½ | Lockheed Crpn. $1 | 30⅞ | -⅛ | [illegible] | – | 3.3 |
| 18⅞ | 15⅛ | Lone Star Inds $1 | 18⅞ | -⅛ | [illegible] | – | 6.5 |
| 24⅞ | 17½ | Louisiana Land 15c | 24⅞ | -⅛ | [illegible] | – | 2.6 |
| 16 | 11½ | Lowe's 50c | 16 | +⅛ | [illegible] | – | 1.9 |
| 22⅞ | 15⅞ | Manuf Hanover $1 | 22¾ | ..... | [illegible] | – | 9.1 |
| 19⅝ | 13⅞ | Merrill Lynch $1 | 19⅝ | ..... | [illegible] | – | 3.3 |
| 2253p | 1910p | Molex Inc | 2097p | +8 | [illegible] | – | – |
| 26⅞ | 18⅛ | Morgan (JP) $2½ | 25⅞ | -⅛ | [illegible] | – | 4.1 |
| 50 | 36¼ | NYNEX $1 | 49⅝ | -⅛ | $4.36 | – | 5.6 |
| 23⅞ | 18¼ | PHH Corp | 23¼ | -¼ | $1.12 | – | 3.0 |
| 253p | 220p | Pacific Agr. | 253p | ..... | – | – | – |
| 25 | 19 | Pacificorp $3¼ | 24½ | -½ | $2.76 | – | 6.8 |
| 26¼ | 16⅞ | Pacific Telesis 10c | 25½ | -⅛ | $1.88 | – | 4.7 |
| 20⅞ | 15¼ | Pall Corp. 25c | 20¼ | -⅛ | 48c | – | 1.5 |
| 53⅞ | 39⅞ | Pennzoil 83 1/3c | 51 | -1⅛ | $3.00 | – | 3.7 |
| 24⅞ | 17⅛ | Premark Intl. | 24 | ..... | 60c | – | 1.6 |
| 38⅛ | 28⅛ | Quaker Oats $5 | 37⅞ | -⅛ | $1.20 | – | 2.0 |
| 29½ | 23½ | Rep NY Corpn $5 | 29½ | -⅛ | $1.28 | – | 2.8 |
| 14⅞ | 11⅞ | Rockwell Intl $1 | 14¼ | -⅛ | 72c | – | 3.2 |
| 33⅝ | 21⅞ | Southwestern Bell $1 | 32½ | -⅛ | $2.60 | – | 3.1 |
| 25¼ | 17⅞ | Sun Co Inc. $1 | 25⅝ | -¼ | $1.80 | – | 4.4 |
| 29⅛ | 22⅞ | TRW Inc. 62½c | 28⅞ | -1⅛ | $1.72 | – | 3.8 |
| 20½ | 14¼ | TW Services $5 | 20¼ | -⅛ | 10c | – | 0.5 |
| 34⅞ | 26⅛ | Tenneco $5 | 34⅛ | -⅛ | $3.04 | – | 5.6 |
| 35⅛ | 28 | Texaco $6.25 | 32¼ | -2⅛ | $3.00 | – | 5.8 |
| 28⅞ | 21⅛ | Texas Instr. $1 | 20⅛ | -⅛ | 72c | – | 1.6 |
| 85⅝ | 58⅝ | Time Inc $1 | 85⅞ | +2⅛ | $1.00 | – | 0.7 |
| 18 | 15⅛ | TRINOVA Corp | 17⅞ | -⅛ | 64c | – | 2.3 |
| 22⅞ | 16 | USX $1 | 21⅞ | -¼ | $1.40 | – | 4.0 |
| 164p | 126p | Unilab | 158p | ..... | – | – | – |
| 33 | 22⅛ | Utd. Technologies | 32⅞ | -⅛ | $1.60 | – | 3.1 |
| 158p | 128p | Utilitech Inc | 135p | ..... | – | – | – |
| 44⅝ | 31½ | US West | 43¼ | -½ | $3.76 | – | 5.5 |
| 33⅝ | 22⅝ | Waste Management $1 | 32⅞ | -⅞ | 48c | – | 0.9 |
| 19⅛ | 15½ | Whirlpool $1 | 19 | -⅛ | $1.10 | – | 3.7 |
| 21⅞ | 16⅛ | Whitman Corp | 21⅛ | -⅛ | [illegible] | – | 2.8 |
| 33⅞ | 28⅛ | Woolworth $3½ | 33⅞ | -⅛ | [illegible] | – | 3.1 |

## CANADIANS

| 1989 High | Low | Stock | Price | + or - | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 157p | 129p | ABM Gold Corp | 145p | ..... | – | – | – |
| 23½p | 4½p | Abbot Energy Corp | 14½p | ..... | – | – | – |
| 13¼ | 902p | Amer. Barrick Res | 12½ | -⅛ | – | – | – |
| 3¼p | 2½p | Amer. Lightwave | 2½p | ..... | – | – | – |
| 19½p | 10½p | Armeno | 11p | +½ | – | – | – |
| 330p | 94p | Asiamerica Hldgs | 329p | -1 | – | – | – |
| 33½p | 10p | Augmitto Explo | 10p | -3½ | – | – | – |
| 16½ | 12⅞ | Bk Montreal | 16⅝ | +⅛ | $2.12 | – | 6.5 |
| 938p | 655p | Bk Nova Scot. | 935p | +17 | 84c | – | 4.5 |
| 20¼ | 17 | BCE | 20¼ | -⅛ | $2.44 | – | 6.1 |
| 846p | 570p | Bow Valley | 829p | -17 | 40c | – | 2.4 |
| 15½ | 12⅛ | Brascan | 15¼ | -⅛ | 88c | – | 2.9 |
| 228p | 149p | Breakwater Res. | 149p | -4 | 10c | – | 3.4 |
| 15⅞ | 11⅛ | Can. Imp Bank | 15⅛ | -⅛ | $1.16 | – | 3.8 |
| 12¼ | 997p | Can Pacific | 12 | +⅛ | 76c | – | 3.2 |
| 41½ | 38½ | Do. 4pc Deb £100 | 41½ | ..... | 4% | – | 9.6 |
| 532p | 374p | Central Capital "A" | 520p | -9 | – | – | – |
| 449p | 340p | Corona Corp | 448p | -1 | – | – | – |
| 373p | 228p | Coms TVX Min. | 323p | +6 | – | – | – |
| 48½p | 15p | Danbus Mem Syst. | 15p | -1 | – | – | – |
| 794p | 524p | Derlan Inds. | 797p | -10 | 11.75c | – | 0.8 |
| 953p | 751p | Echo Bay Mines | 856p | +10 | $0.07 | – | 0.4 |
| 572p | 370p | ECD Corp | 474p | -2 | – | – | – |
| 236p | 184p | Galactic Resources | 187p | -1 | – | – | – |
| 369p | 243p | Gandalf Techs. Inc | 353p | -2 | – | – | – |
| 183p | 129p | Granges Explo | 146p | -10 | – | – | – |
| 27½p | 6p | Gt Pacific Res. | 9p | -1 | – | – | – |
| 812p | 651p | Gulf Canada | 796p | -10 | 52c | – | 3.3 |
| 15½ | 10½ | Hawker Sid Can | 15½ | -⅛ | $1.08 | – | 4.2 |
| 653p | 348p | Henlys Group | 599p | -9 | – | – | – |
| 15⅝ | 11⅛ | Hudson's Bay | 15⅝ | +⅛ | 60c | – | 1.9 |
| 29½ | 23 | Imperial Oil | 28⅝ | -⅛ | $1.80 | – | 3.2 |
| 19⅝ | 14⅛ | Inco | 10⅝ | -⅛ | s$0.80 | – | 2.7 |
| 770p | 599p | Inland Nat. Gas $1 | 770p | +4 | 60c | – | 3.9 |
| 290p | 102p | Madeleine Mines | 201p | -5 | – | – | – |
| 193p | 163p | Musocho Explo | 166p | +2 | – | – | – |
| 126p | 85½p | Nevada Goldfields | 111p | ..... | – | – | – |
| 13 | 10⅛ | Rio Algom | 13 | +⅛ | 85c | – | 3.3 |
| 23¼ | 17¼ | Royal Bk. Can. $1 | 23¼ | ..... | $2.20 | – | 4.8 |
| 48½ | 33⅛ | Seagram | 47½ | -⅛ | US$1.40 | – | 1.9 |
| 112p | 74½p | Sonora Gold Corp | 99p | -1 | – | – | – |
| 85p | 33p | Spiral Eng | 59p | -2 | – | – | – |
| 109p | 62p | Tan Pure Tech. Corp | 68p | -1 | – | – | – |
| 22½ | 16⅛ | Toronto-Dom. Bk. | 21½ | -⅛ | $1.32 | – | 3.1 |
| 820p | 686p | Trans Can Pipe | 777p | +4 | 68c | – | 4.4 |
| 183p | 152p | Varity Corp | 164p | -1 | 8c | – | – |

## BANKS, HP & LEASING

| 1989 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| *278 | 219 | ANZ $A1 | 240 | -2 | s034½c | 2.0 | 7.2 | 7.0 |
| *162 | 120½ | Allied Irish Ord | 155 | +1 | h068% | ♦ | 4.6 | ♦ |
| £12⅛ | £11⅛ | Algemene Fl.10 | £11⅝ | +⅛ | 027% | 1.9 | 6.6 | – |
| *80 | 61 | Anglo Irish | 69 | ..... | s012½% | 4.0 | 5.8 | 11.7 |
| 79 | 75 | Ansbacher (H.) 1p | 77 | ..... | 2.0 | – | 3.5 | – |
| £51 | £38⅛ | Bancaire Cie Fr100 | £46⅞ | +⅛ | 0124% | – | 2.1 | – |
| £40⅝ | £35⅛ | Banco Bilbao Viz. | £38 | -⅜ | 035.7% | 2.0 | 3.4 | 14.6 |
| £33 | £28 | Banco de Santander | £29⅛ | -⅛ | 021% | 2.4 | 2.6 | 16.0 |
| *315 | 230 | Bank Ireland Ir£1 | 292 | ..... | s010% | ♦ | 2.9 | ♦ |
| £17½ | £17½ | Bank Leumi | £17½ | ..... | – | – | – | – |
| 390 | 350 | Bank Leumi (U.K.) | 350 | ..... | 13.5 | – | 3.1 | – |
| 105 | 88 | Bank Scotland | 92 | -1 | 3.8 | 3.6 | 5.5 | 6.7 |
| 111¼ | 104½ | Do. 9¼pc Irrd Pf. | 104½ | -½ | 9¼% | – | 11.8 | – |
| *67 | 52 | Bank of Wales | 58 | ..... | 2.8 | ♦ | 6.4 | ♦ |
| *486 | 404 | Barclays £1 | 445 | -2 | 23.0 | 3.5 | 6.9 | 5.1 |
| 31 | 28 | Benchmark 20p | 28 | ..... | 1.63 | 1.0 | 7.7 | 16.1 |
| 350 | 334 | Brown Shipley £1 | 350 | +2 | 10.5 | – | 4.0 | – |
| 63 | 57 | Business Mort. Tst. | 62 | +1 | – | – | – | – |
| 430 | 325 | Cater Allen £1 | 414 | ..... | 22.5 | – | 7.2 | – |
| 259 | 201 | Chancery | 256 | -1 | 16.0 | 2.9 | 3.4 | 15.6 |
| £16⅛ | £14½ | Commerzbk DM10 | £15⅛ | -⅛ | 018% | – | 3.8 | – |
| *£27⅛ | £22⅛ | C'hgn. Hdk. Kr100 | £24 | +⅛ | gr015% | – | 5.1 | – |
| £16⅞ | £12½ | Dai Ichi KBk Y50 | £14⅞ | +⅛ | 015% | 2.4 | 0.2 | – |
| £179⅛ | £156⅛ | Deutsche Bk DM50 | £170 | +2⅛ | 024% | – | 2.2 | – |
| 260 | 225 | First Nat. Fin. 10p | 244 | -1 | 11.5 | 2.8 | 6.3 | 6.9 |
| 134 | 110 | FNFC 6.3pc CvRedPrf | 126 | ..... | 6.3% | – | 6.7 | – |
| £16⅛ | £15 | Fuji Bank Y50 | £16 | +⅛ | 015.6% | ♦ | 0.2 | ♦ |
| 295 | 259 | Gerrard & National | 260 | ..... | 18.5 | – | 9.5 | – |
| 139 | 113 | Goode Durrant 5p | 129 | ..... | †23.3 | – | 3.4 | – |
| 142 | 118 | Guinness Mahon 10p | 141 | ..... | †1.2 | – | 1.1 | – |
| 255 | 207 | Hambros 20p | 207 | -2 | †9.0 | – | 5.8 | – |
| 52 | 40 | HK & Shang. HK$2.50 | 48 | ..... | H036c | – | 6.0 | – |
| 485 | 470 | Joseph (Leo) £1 | 480 | ..... | †14.38 | – | 4.0 | – |
| 140 | 131 | King & Shaxson 20p | 151 | -2 | 9.25 | – | 9.4 | – |
| 344 | 277 | Kleinwort Benson Grp. | 302 | +4 | 14.0 | – | 6.2 | – |
| 388 | 321 | Lloyds £1 | 235 | -2 | 16.8 | 4.5 | 6.7 | 4.4 |
| 48 | 40 | Lon. Scot. Bank 10p | 44 | ..... | 2.05 | 1.9 | 6.2 | 10.1 |
| 352 | 291 | Midland £1 | 235 | ..... | h16.4 | 3.3 | 6.5 | 6.2 |
| £15⅛ | £12⅛ | Mitsubishi Bank Y50 | £14⅛ | +⅛ | 015% | ♦ | 0.2 | ♦ |
| 318 | 267 | Morgan Grenfell £1 | 274 | ..... | 10.85 | – | 3.3 | – |
| *335 | 274 | Nat. Aust. Bk. A$1 | 309 | -1 | s032c | 1.5 | 5.0 | 13.4 |
| 629 | 510 | Nat. West. £1 | 584 | -5 | 28.25 | 4.4 | 6.4 | 4.6 |
| £210 | £170 | Ottoman Bank | £170 | ..... | 090% | – | 5.3 | – |
| 83 | 62 | Rea Bros Group | 75 | ..... | 0.5 | – | 0.9 | – |
| *209 | 155 | Rothschild (J) Hldgs. | 204 | ..... | 48.0 | 2.7 | 5.2 | 9.0 |
| 416 | 348 | Royal Bk. Scotland | 379 | -1 | †15.0 | 4.9 | 5.3 | 5.2 |
| £13⅛ | £10⅞ | Sanwa Bank Y50 | £11⅛ | -⅛ | 016% | ♦ | 0.4 | ♦ |
| 175 | 124 | Scandinavian Bk Units | 154 | -1 | 0.5 | – | 7.4 | – |
| 1025 | 870 | Schroders £1 | 1020 | +30 | 19.5 | – | 2.5 | – |
| 825 | 655 | Do. £1 N/V | 820 | +20 | 19.5 | – | 3.2 | – |
| £28⅛ | £19⅛ | Sec. Pacific $10 | £28⅛ | -⅛ | Q$1.96 | – | 4.4 | – |
| *567 | 500 | Standard Chartd. £1 | 514 | -8 | 33.9 | 2.9 | 0.8 | 4.4 |
| 1191⅛ | £15⅛ | Sumitomo Bank Y50 | £15⅛ | +⅛ | 015% | 7.5 | 0.2 | 64.0 |
| 153½ | 104½ | TSB | 105½ | ..... | 5.24 | 3.5 | 6.6 | 5.8 |
| 234 | 164 | TSB Ch'nel Is'l | 203 | ..... | 06.1 | 3.5 | 3.0 | 10.5 |
| 523 | 470 | Union Discount £1 | 495 | +5 | 30.0 | – | 8.1 | – |
| 352 | 277 | Warburg (S.G.) | 333 | -1 | †11.5 | – | 4.6 | – |
| 123 | 98 | Do 6pc A Cnv Prf. | 117 | ..... | 6% | – | 6.8 | – |
| *284 | 232 | Westpac $A1 | 242 | -2 | s033c | 1.7 | 6.6 | 9.0 |
| 468 | 443 | Wintrust 20p | 468 | ..... | †6.95 | 3.9 | 2.0 | 17.3 |

### Hire Purchase, Leasing, etc.

| 1989 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 485 | 224 | Anglo Leasing 10p | 418 | -2 | F5.0 | 6.6 | 1.6 | 18.0 |
| *373 | 240 | CLF Yeoman 50p | 260 | +5 | d024.6% | ♦ | 4.0 | ♦ |
| 100 | 31 | Capital Leasing Ir 10p | 100 | +4 | L013.7% | ♦ | 1.1 | ♦ |
| 78 | 55 | Cattle's (Hldgs) 10p | 73 | ..... | 3.25 | 2.2 | 5.9 | 10.3 |
| 38 | 31 | Equity & Gen 5p | 31 | ..... | †1.75 | 1.7 | 7.5 | 9.4 |
| 365 | 312 | Prov. Financial | 319 | -3 | 18.0 | 2.1 | 7.5 | 0.6 |
| 210 | 100 | Reflex Invs. Ir5p | 118 | ..... | L028.8% | 3.3 | 0.6 | 46.1 |
| 206 | 146 | Secure Trust Grp. 1p | 205 | +4 | W7.09 | ♦ | 4.6 | ♦ |
| 171 | 127 | Woodchester IR20p | 167 | ..... | Q11½% | 6.2 | 1.2 | 16.5 |

## BEERS, WINES & SPIRITS

| 1989 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 507 | 220 | Allied-Lyons | [illegible] | ..... | 15.0 | q2.5 | 4.6 | 10.2 |
| £27⅛ | £17⅛ | Anheuser-Busch $1 | [illegible] | -⅛ | 72c | – | 1.5 | – |
| 988 | 793 | Bass | [illegible] | -6 | †23.5 | 3.4 | 3.3 | 11.7 |
| 203 | 160 | Boddington | [illegible] | ..... | 4.3 | 2.5 | 3.5 | 14.8 |
| 190 | 135 | Bulmer (H.P.) 5p | [illegible] | ..... | †6.5 | 2.5 | 3.2 | 10.5 |
| 235 | 192 | Burtonwood Brewery | [illegible] | ..... | †3.16 | 2.6 | 1.8 | 29.0 |
| 450 | 402 | Clark (Matthew) | [illegible] | +2 | †11.0 | 3.6 | 3.3 | 11.2 |
| *344 | 279 | Devenish (J.A.) 5p | [illegible] | ..... | F4.44 | 3.9 | 1.9 | 22.4 |
| 253 | 210 | Do 4.5pc Cv CnvPf | [illegible] | -5 | 4½% | 25.3 | 2.7 | – |
| 242 | 205 | Eldridge Pope 'A' 50p | [illegible] | ..... | †3.6 | 3.4 | 2.2 | 17.3 |
| 455 | 385 | Fuller, S.T.A. | [illegible] | ..... | †13.0 | 5.0 | 1.1 | 23.3 |
| 595 | 425 | Grand Metrop 50p | [illegible] | ..... | †15.0 | 2.9 | 3.8 | 11.2 |
| 335 | 258 | Greenall Whitley | [illegible] | -2 | †7.25 | 3.3 | 3.3 | 11.4 |
| 162 | 129 | Do 5.95pcCvPf£1 | [illegible] | -1 | 5.95% | – | 3.7 | – |
| 622 | 447 | Greene King | 311 | -1 | †7.45 | 3.4 | 1.9 | 19.8 |
| 494 | 329 | Guinness | 489 | +5 | 11.5 | 3.0 | 3.1 | 12.7 |
| 146 | 102 | Do 5¼pc Cnv Prf | 157 | +1 | 3.75% | 25.0 | 5.6 | – |
| £174 | £119 | Do 8¼ pcCvLn | £171 | +1 | 08¼% | 69.0 | 4.8 | – |
| 238 | 135 | Highland Dsts 20p | 209 | -5 | †2.82 | 2.7 | 1.8 | 27.7 |
| *550 | 183 | Macallan-Glenlivet | 485 | ..... | h0.88 | 5.7 | 0.2 | 15.2 |
| 1010 | 1335 | Macdonald Martin 'A' | 1750 | -25 | †20.0 | 2.3 | 1.5 | 38.3 |
| 500 | 455 | Mansfield Brewery | 495 | -2 | 9.0 | 2.5 | 2.4 | 21.5 |
| 205 | 166 | Marston Thompson | 282 | ..... | †2.9 | 1.1 | 1.9 | 22.2 |
| 390 | 363 | Merrydown Wine | 379 | ..... | †h5.33 | 4.5 | 1.9 | 15.4 |
| 765 | 647 | Morland | 733 | ..... | †9.05 | 4.8 | 1.6 | 15.9 |
| 449 | 284 | Scott & New 20p | 294 | -4 | †9.14 | 2.4 | 4.1 | 12.9 |
| 337 | 273 | Vaux Group 10p | 286 | -4 | †6.53 | 2.3 | 3.0 | 18.6 |
| 377 | 299 | Whitbread 'A' | [illegible] | +8 | 12.5 | q2.5 | 4.9 | 10.2 |
| 494 | 412 | Wolv. & Dudley | [illegible] | +1 | †7.0 | 4.2 | 2.2 | 14.3 |
| 532 | 500 | Young Brew 'A' 50p | [illegible] | ..... | 10.2 | ♦ | 2.6 | ♦ |
| 450 | 420 | Do. Non. V. 50p | [illegible] | +3 | 10.2 | ♦ | 3.1 | ♦ |

## BUILDING, TIMBER, ROADS

| 1989 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 536 | 329 | AMEC 50p | 481 | +1 | 17.0 | ♦ | 4.7 | ♦ |
| 132 | 89 | Do 6½p Cm Cv Pf | [illegible] | ..... | 6½% | – | 7.[illegible] | – |
| 204 | 167 | Abbey | [illegible] | -1 | 24% | 4.9 | [illegible] | 7.2 |
| *460 | 238 | Anglia Sec 10p | [illegible] | +1 | 4.0 | 6.7 | [illegible] | 7.2 |
| 52 | 39 | Anglo Utd. | [illegible] | -1 | 1.0 | 2.1 | [illegible] | 21.3 |
| 258 | 163 | Arncliffe 10p | [illegible] | -5 | 6.0 | 3.9 | [illegible] | 6.1 |
| 327 | 245 | Ashstead Group 10p | [illegible] | -2 | †h2.0 | 7.6 | [illegible] | 20.6 |
| 476 | 285 | Allwoods 5p | [illegible] | -2 | †7.0 | 2.3 | [illegible] | 23.1 |
| 165 | 118 | BMSS 10p | [illegible] | -1 | 4.0 | ♦ | [illegible] | ♦ |
| 275 | 218 | BPB Inds. 50p | [illegible] | -2 | †8.5 | 3.3 | [illegible] | 7.7 |
| 219 | 147½ | Baggeridge Brick | [illegible] | ..... | †h2.5 | 6.0 | [illegible] | 12.1 |
| 146 | 90 | Bailey (Ben) 10p | [illegible] | -1 | †2.2 | 5.7 | [illegible] | 11.3 |
| 180 | 150 | Baldwin 10p | [illegible] | ..... | †2.0 | 1.3 | [illegible] | 52.5 |
| 94 | 68 | Banner Homes 10p | [illegible] | ..... | [illegible] | ♦ | 4.[illegible] | ♦ |
| 209 | 166 | Barratt Dev. 10p | [illegible] | +1 | †11.[illegible] | 2.1 | 8.[illegible] | 7.8 |
| 268 | 216 | Bellway | [illegible] | +1 | †10.[illegible] | 1.5 | [illegible] | 7.2 |
| 98 | 63 | Bellwinch 10p | [illegible] | ..... | 3.[illegible] | 3.5 | 7.[illegible] | 4.5 |
| 261 | 187 | Berkeley Group | [illegible] | -2 | [illegible] | 10.0 | [illegible] | 5.8 |
| 151 | 103 | Bett Bros. 20p | [illegible] | ..... | [illegible] | 2.8 | [illegible] | 13.1 |
| 440 | 305 | Blockleys 20p | 44[illegible] | +10 | 8.[illegible] | 3.2 | 2.8 | 15.8 |
| 614 | 419 | Blue Circle £1 | [illegible] | -10 | 20.[illegible] | 2.3 | 4.[illegible] | 11.2 |
| 169 | 118 | Do 7¾pc Cv Rd Pf | [illegible] | 1 | 7¾% | – | 6.[illegible] | – |

## BUILDING, TIMBER, ROADS — Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES—Contd

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.)—Contd

[illegible]

## INDUSTRIALS (Miscel.)—Contd.

[illegible]

## INSURANCES

[illegible]

هكذا اصل الأصل

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## INSURANCES—Contd

[illegible]

## LEISURE

[illegible]

## MOTORS, AIRCRAFT TRADES

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PAPER, PRINTING, ADVERTISING—Contd

[illegible]

## PROPERTY

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## TRUSTS, FINANCE, LAND—Contd

[illegible]

### Finance, Land, etc

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS—Contd

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

## MINES—Contd

### Tins

[illegible]

### Miscellaneous

[illegible]

## THIRD MARKET

[illegible]

### NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; *bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution.* Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings *indicated*
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. *E Minimum tender price.* F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p.... γ | 108 | ..... |
| Craig & Rose £1.. γ | 720 | ..... |
| Finlay Pkg. 5p.... γ | 80d | ..... |
| Holt (Jos) 25p.... γ | 1110 | −23 |

### IRISH

| | | |
|---|---|---|
| Cap. 8¼% Ln 1991 | £98 | ..... |
| 9pc Cap Ln. 1996 | £97¼ | ..... |
| Fin. 13% 97/02 | £118 | ..... |
| Arnotts | 440xd | ..... |
| Carroll (P.J.)..... γ | 152 | ..... |
| Hall (R. & H.) | 158 | ..... |
| Heiton Hldgs..... γ | 76 | +2 |
| Irish Ropes | 203xd | ..... |
| United Drug | 138 | ..... |

## TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 40 |
| Amstrad | 18 |
| BAT | 40 |
| BOC Grp | 36 |
| BSR | 7½ |
| BTR | 26 |
| Barclays | 34 |
| Beecham | 40 |
| Blue Circle | 39 |
| Boots | 20 |
| Bowaters | 38 |
| Brit Aerospace | 42 |
| Brit. Telecom | 21 |
| Burton Ord | 18 |
| Cadburys | 31 |
| Charter Cons | 45 |
| Comm Union | 28 |
| Courtaulds | 26 |
| FKI Babcock | 13 |
| FNFC | 21 |
| Gen Accident | 71 |
| GEC | 15 |
| Glaxo | 90 |
| Grand Met | 38 |
| GUS 'A' | 90 |
| Guardian | 16 |
| GKN | 28 |
| Hanson | 12 |
| Hawker Sidd | 48 |
| ICI | 85 |
| Jaguar | 22 |
| Ladbroke | 38 |
| Legal & Gen | 26 |
| Lex Service | 34 |
| Lloyds Bank | 29 |
| Lucas Inds | 48 |
| Marks & Spencer | 15 |
| Midland Bk | 35 |
| Morgan Grenfell | 28 |
| NEI | 12 |
| Nat West Bk | 45 |
| P & O Dfd | 48 |
| Plessey | 15 |
| Polly Peck | 28 |
| Racal Elect | 25 |
| RHM | 32 |
| Rank Org Ord | 43 |
| Reed Intnl | 38 |
| STC | 24 |
| Sears | 13 |
| TI | 32 |
| TSB | 9 |
| Tesco | 12 |
| Thorn EMI | 55 |
| Trust Houses | 24 |
| T&N | 16 |
| Unilever | 42 |
| Vickers | 15 |
| Wellcome | 42 |
| **Property** | |
| Brit Land | 38 |
| Land Securities | 52 |
| MEPC | 50 |
| **Oils** | |
| Brit Petroleum | 21 |
| Do. Int. Certs | 12 |
| Burmah Oil | 48 |
| Calor | 35 |
| Charterhall | 2½ |
| Premier | 9 |
| Shell | 85 |
| Ultramar | 21 |
| **Mines** | |
| Cons Gold | 100 |
| Lonrho | 38 |
| RTZ | 40 |

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Pound falls below DM3.11

STERLING REMAINED under pressure yesterday against the background of concern about Britain's economic problems, speculation that interest rates may move higher in West Germany and with no sign that the market is ready to unwind long positions in the dollar.

There was some intervention by the Bank of England to support the pound against the dollar at around $1.5720. This led to a temporary rally by sterling against the D-Mark, but the recovery was short-lived. The pound fell to DM3.1075 from DM3.1325, the lowest closing level since early July last year. Sterling also declined to SFr2.6825 from SFr2.7350 and to FFr10.5325 from FFr10.6100.

But the pound rose 1.40 cents to $1.5725 and improved to Y223.75 from Y223.50. Sterling's exchange rate index continued to fall, closing at a new low for the year of 92.3 compared with 92.5 on Tuesday.

A rise of 0.8 per cent in April US leading indicators was in line with market forecasts and was regarded as a strong figure after the 0.6 per cent fall in March. It showed an alternative view of the economy at a time when the market is waiting for tomorrow's figures on US employment. If the rise in US non-farm payrolls is below forecasts of around 200,000 it will be seen as an encouragement to the Federal Reserve to relax its monetary stance.

The dollar weakened yesterday, but underlying sentiment remained firm. This week's rise in the Japanese discount rate and suggestions that the Bundesbank council may increase German interest rates today dampened demand for the US currency, but its downward drift was largely technical.

The dollar fell to DM1.9755 rom DM2.0095; to Y142.30 from Y143.40; to SFr1.7055 from SFr1.7550; and to FFr6.6975 from FFr6.8075. On Bank of England figures the dollar's index declined to 72.1 from 72.8.

Long dollar positions remain the main feature of the market and, although there was a temptation to take profits ahead of the Bundesbank council meeting, there was no indication that the dollar is about to fall sharply.

This reluctance to offload the dollar is becoming an increasing problem for sterling, because the rise in the Japanese discount rate and the possibility of higher German rates mean the market is also unwilling to run short positions in the D-Mark and yen.

Swiss interest rates have been increased recently and many other European currencies are effectively tied to the D-Mark through the European Monetary System. This leaves sterling as the obvious currency to sell, and the market is now asking whether another rise in UK bank base rates will not be needed to stop the rot as far as the pound is concerned.

Britain's trade poaltion remains a concern to the market. The April deficit announced last week was much as expected, but was the fourth largest on record, while inflation has already reached 8 per cent and is expected to go higher.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu May.31 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.4703 | +2.38 | +0.96 | ±1.5344 |
| Danish Krone | 7.85212 | 8.08604 | +2.90 | +1.56 | ±1.5404 |
| German D-Mark | 2.05853 | 2.07604 | +0.85 | -0.57 | ±1.0981 |
| French Franc | 6.90403 | 7.04238 | +2.00 | +0.58 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.33973 | +0.88 | -0.54 | ±1.5012 |
| Irish Punt | 0.768411 | 0.776561 | +1.06 | -0.36 | ±1.6684 |
| Italian Lira | 1483.58 | 1501.98 | +1.24 | +0.46 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

[illegible]

### STERLING INDEX

[illegible]

### POUND SPOT- FORWARD AGAINST THE POUND

| May.31 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5625 - 1.5755 | 1.5720 - 1.5730 | 0.59-0.56cpm | 4.39 | 1.85-1.80pm | 4.64 |
| Canada | 1.8865 - 1.9010 | 1.8965 - 1.8975 | 0.29-0.18cpm | 1.49 | 0.96-0.80pm | 1.86 |
| Netherlands | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

### CURRENCY RATES

[illegible]

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

### CURRENCY MOVEMENTS

[illegible]

### EURO-CURRENCY INTEREST RATES

[illegible]

### OTHER CURRENCIES

[illegible]

Correction for May 30 Luxembourg 65.55-65.65. *Selling rate

### EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES

# Short sterling at record low

INTEREST RATE futures fell to record lows yesterday in the short-sterling sector of the Liffe market. A loss of confidence in sterling pushed cash rates sharply firmer, and prices for September delivery in the three-month sterling futures contract slid at one point to a low of 85.74 before finishing at 85.83, still well down from 86.08 at the opening, and 86.19 on Tuesday.

Long gilt futures fell by over one full point for June delivery, depressed not only by sterling's weakness and higher interest rates, but also by rising inflation and wage costs. The June price opened at 93-23 and fell to a low of 92-23 before closing at 92-25, down from 93-30 on Tuesday.

West German Government bond futures rose quite sharply after the dollar's fall against the D-Mark. The weaker tone of the US unit helped to reduce fears of a rise in German rates when the Bundesbank's central council meets today.

US Treasury bond futures finished on a softer note in line with a weaker dollar. The June price finished lower at 92-18, down from 92-28 at the start

### LIFFE LONG GILT FUTURES OPTIONS

[illegible]

### LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

### LIFFE BUND FUTURES OPTIONS

[illegible]

### LIFFE £/$ OPTIONS

[illegible]

### LIFFE EUROMARK OPTIONS

[illegible]

### LIFFE SHORT STERLING

[illegible]

### LONDON (LIFFE)

[illegible]

### PHILADELPHIA SE £/$ OPTIONS

[illegible]

### CHICAGO

[illegible]

### EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 35,265

A=Ask B=Bid C=Call P=Put

## MONEY MARKETS

# Rates rise sharply

UK INTEREST rates rose sharply in London yesterday in response to a weaker pound. Three-month interbank money rose to 14⅛-14⅜ per cent from 13⅞-13¾ per cent and the yield curve out to six-months remained flat but at a higher level.

Interbank rates have now risen half a point since base rates were increased to 14 per cent on May 24, and most traders see little chance of the authorities avoiding a further rise in rates to 15 per cent, unless sterling shows some early sign of recovery.

**UK clearing bank base lending rate 14 per cent from May 24**

The Bank of England forecast a shortage of around £500m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £814m. Banks brought forward balances £45m below target, while there was an increase in the note circulation of £45m. These were partly offset hy Exchequer transactions which added £395m.

The forecast was revised to a shortage of around £600m, and the Bank gave assistance in the morning of £372m through outright purchases of £81m of eligible bank bills in band 1 and £291m in band 2, all at 13¾ per cent. A further revision took the forecast to a shortage of around £450m, and the Bank gave additional help in the afternoon of £128m. This comprised purchasea of £49m of Treasury bills in band 1 at 13¾ per cent, and in band 2, £20m of Treasury bills and £59m of eligible bank bills all at 13¾ per cent.

Interest rates at the West German Bundesbank's sale and repurchase tender rose yesterday to a minimum of 6.60 per cent for the short dated tender and 6.75 per cent for the longer maturity.

A total of DM35bn was allocated by way of a split tender where DM17.6bn wes added through a 34-day facility at rates between 6.60 and 7.15 per cent, and a further DM17.4bn through a 62-day agreement between 6.75 and 7.20 per cent. Successful applicants receive the funds today, coinciding with two maturing agreements which drain DM32.2bn from the market.

The minimum accepted bid of 6.6 per cent on the short dated offer was up from a previous minimum of 6.5 per cent. Short term interest rates were also firmer, but much of the rise was associated with technical demand ahead of the month end. The majority opinion in the market is still against a rise in lending rates after a meeting today of the Bundesbank central council.

### FT LONDON INTERBANK FIXING

[illegible]

### MONEY RATES

[illegible]

### LONDON MONEY RATES

[illegible]

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 14 | Clydesdale Bank | 14 | NatWestminster | 14 |
| Adam & Company | 14 | Comm. Bk. N. East | 14 | Northern Bank Ltd | 14 |
| AAB - Allied Arab Bk | 14 | Co-operative Bank | *13 | Norwich Gen. Trust | 14 |
| Allied Irish Bank | 14 | Coutts & Co | 14 | PRIVATbanken Limited | 14 |
| ● Henry Ansbacher | 14 | Cyprus Popular Bk | 14 | Provincial Bank PLC | 15 |
| Associates Cap Corp | 12 | Dunbar Bank PLC | 14 | R. Raphael & Sons | 14 |
| Authority Bank | 14 | Duncan Lawrie | 14 | Roxburghe Guarantee | 13½ |
| ● B & C Merchant Bank | 14 | Equatorial Bank plc | 14 | Royal Bk of Scotland | 14 |
| Bank of Baroda | 14 | Exeter Trust Ltd | 14½ | Royal Trust Bank | 13 |
| Banco Bilbao Vizcaya | 14 | Financial & Gen. Bank | 14 | ● Smith & Williamson Secs. | 14 |
| Bank Hapoalim | 14 | First National Bank Plc. | 15 | Standard Chartered | 13 |
| Bank Credit & Comm | 14 | ● Robert Fleming & Co. | 14 | TSB | 14 |
| Bank of Cyprus | 14 | Robert Fraser & Ptnrs. | 14½ | United Bk of Kuwait | 14 |
| Bank of Ireland | 14 | Girobank | 13 | United Mizrahi Bank | 14 |
| Bank of India | 14 | ● Guinness Mahon | 14 | Unity Trust Bank Plc | 14 |
| Bank of Scotland | 14 | HFC Bank plc | 14 | Western Trust | 14 |
| Banque Belge Ltd | 14 | ● Hambros Bank | 14 | Westpac Bank Corp. | 14 |
| Barclays Bank | 14 | Heritable & Gen Inv Bank | 14 | Whiteaway Laidlaw | 14 |
| Benchmark Bank PLC | 14 | ● Hill Samuel | §14 | Yorkshire Bank | 14 |
| Berliner Bank AG | 14 | C. Hoare & Co. | 14 | | |
| Brit Bk of Mid East | 14 | Hongkong & Shangh | 14 | | |
| ● Brown Shipley | 14 | ● Leopold Joseph & Sons | 14 | | |
| Business Mtge Tst | 14½ | Lloyds Bank | 14 | | |
| CL Bank Nederland | 14 | Meghraj Bank Ltd | 14 | | |
| Central Capital | 14 | McDonnell Douglas Bnk | 14 | | |
| ● Charterhouse Bank | 14 | Midland Bank | 14 | | |
| Citibank NA | 14 | Mortgage Express Ltd. | ‡13.75 | | |
| City Merchants Bank | 14 | Mount Banking Corp. | 14 | | |
| | | Nat Bk. of Kuwait | 14 | | |

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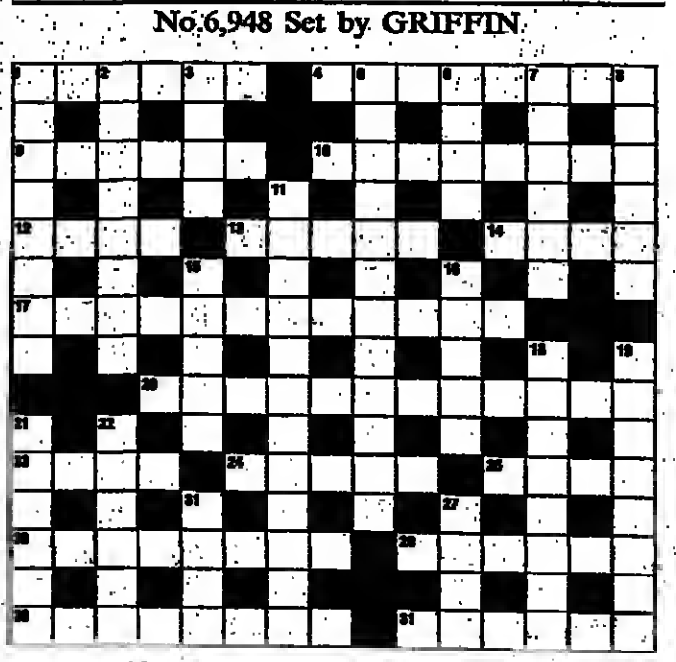
JOTTER PAD

## CROSSWORD

No.6,948 Set by GRIFFIN



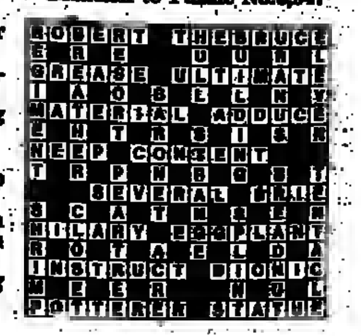
**ACROSS**

1 Lying union leader takes book back round (6)
4 Stuff rejected display in fancy metal container (8)
9 Genuine back way into food store (6)
10 Gravesend bookmaker runs races (8)
12 Resonable direction to go in a stormy sea (4)
13 He manufactures many a faulty rake (5)
14 Figure burning house is included (4)
17 Having sipped it I can fake a cause of abdominal pain (12)
20 Sick American ordered to train, for example (12)
23 Scraps friend's half day off (4)
24 Senior master introducing a little girl (5)
25 Spell it backwards, more or less (4)
28 Circulating a police article on hair loss (8)
29 As before, a German flower field (6)
30 Offering as inducement fishing after the first day (8)
31 Left after match, being chaste (6)

**DOWN**

1 A less corrupt male shop assistant (8)
2 Vegetables from Spain cooked about right (an afterthought) (8)
3 Votes against boy standing embracing sweetheart (4)
5 Thanks to a pain Price collapsed (12)
6 Wicked story raised about Civic Centre (4)
7 Left complete bill in; races round (6)
8 Money rolled in rug is enticing (6)
11 Handling mail in a turn-up train (12)
15 Fish porter carrying half of the ling (5)
16 Around mid-morning fail to be dressed last (5)
18 Aggressive male Latin members introduce it (8)
19 Home bird meets a trainee domestic (8)
21 He signs cheques raised for profit (6)
22 Attach a record player with nothing in (6)
26 Satisfactory source (4)
27 Lawrence accepts the order book (4)

**Solution to Puzzle No.6,947**



هكذا من الأصل

# WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA

[illegible]

## JAPAN

[illegible]

AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

## CANADA

### TORONTO
*2pm prices May 31*

[illegible]

I—No voting rights or restricted voting rights.

## INDICES

### NEW YORK — DOW JONES

| | May 30 | May 26 | May 25 | May 24 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| ◆Industrials | 2475.55 | 2493.77 | 2482.59 | 2483.87 | 2502.02 (22/5) | 2144.64 (3/1) | 2722.42 (25/8/87) | 41.22 (2/7/32) |
| Home Bonds | 90.69 | 90.38 | 90.38 | 90.62 | 90.62 (24/5) | 87.35 (29/3) | – | – |
| Transport | 1156.05 | 1165.59 | 1152.65 | 1154.27 | 1165.59 (26/5) | 959.95 (3/1) | 1165.59 (26/5/89) | 12.32 (8/7/32) |
| Utilities | 199.8 | 201.16 | 199.27 | 199.74 | 201.16 (26/5) | 181.84 (24/2) | 227.83 (22/1/87) | 10.50 (8/4/32) |

◆Day's High 2510.66 (2501.83) Low 2459.74 (2473.06)

| STANDARD AND POOR'S | May 30 | May 26 | May 25 | May 24 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 319.05 | 321.59 | 319.17 | 319.14 | 321.98 (22/5) | 275.31 (3/1) | 336.77 (25/8/87) | 4.40 (1/6/32) |
| Industrial | 366.30 | 369.20 | 366.50 | 366.05 | 369.20 (26/5) | 318.66 (3/1) | 393.17 (25/8/87) | 3.62 (21/6/32) |
| Financial | 29.90 | 30.05 | 29.81 | 29.80 | 30.07 (22/5) | 24.30 (3/1) | 32.43 (25/8/87) | 8.64 (1/10/74) |
| NYSE Composite | 178.11 | 179.31 | 178.05 | 177.97 | 179.35 (22/5) | 154.98 (3/1) | 187.99 (25/8/87) | 4.46 (25/4/42) |
| Amex Mkt. Value | 354.41 | 355.01 | 352.65 | 351.00 | 355.01 (26/5) | 305.24 (3/1) | 365.01 (13/8/87) | 29.31 (9/12/72) |
| NASDAQ OTC Comp | 444.21 | 445.21 | 442.89 | 441.49 | 445.21 (26/5) | 378.56 (3/1) | 455.28 (26/8/87) | 54.87 (31/10/72) |

| | May 26 | May 19 | May 12 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.38 | 3.36 | 3.43 | 3.68 |
| | May 24 | May 17 | May 10 | year ago (approx.) |
| S & P Industrial div. yield | 3.05 | 3.04 | 3.12 | 2.94 |
| S & P Indl. P/E ratio | 13.46 | 13.42 | 13.54 | 15.35 |

TRADING ACTIVITY — † Volume, Millions

| | May 30 | May 26 | May 25 |
|---|---|---|---|
| New York | 153.359 | 143.619 | 154.916 |
| Amex | 10.344 | 11.732 | 11.457 |
| OTC | 116.134 | 116.990 | 129.663 |

| NEW YORK | May 30 | May 26 | May 25 |
|---|---|---|---|
| Issues Traded | 1978 | 1950 | 1968 |
| Rises | 580 | 1025 | 819 |
| Falls | 915 | 412 | 636 |
| Unchanged | 483 | 513 | 513 |
| New Highs | 149 | 129 | 110 |
| New Lows | 19 | 16 | 12 |

### CANADA

| TORONTO | May 30 | May 29 | May 26 | May 25 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3382.7 | 3403.7 | 3402.5 | 410.8 | 3564.9 (6/2) | 3207.5 (3/1) |
| Composite | 3690.3 | 3686.9 | 3683.2 | 3667.8 | 3696.1 (8/2) | 3350.5 (6/1) |
| MONTREAL Portfolio | 1888.66 | 1889.3 | 1889.31 | 1881.89 | 1901.24 (19/5) | 1677.48 (3/1) |

### NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| Petrolaine | 2,539,200 | 29⅝ | + 2⅝ | IBM | 1,633,100 | 108¼ | – 1⅛ |
| AT&T | 2,373,100 | 35⅝ | – ⅛ | BankAmerica | 1,628,900 | 29⅝ | + ⅝ |
| Texaco xd | 2,240,900 | 51½ | + ⅛ | Eastman Kodak | 1,418,600 | 45⅛ | – ⅝ |
| Advanced Micro | 1,719,600 | 10⅝ | + ⅜ | Warner Comms | 1,407,800 | 50⅞ | – ⅞ |
| Gen Electric | 1,645,900 | 54 | – ¼ | Union Carbide | 1,175,400 | 27⅞ | ..... |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | May 31 | May 30 | May 29 | May 26 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1530.0 | 1542.6 | 1535.9 | 1530.8 | 1583.7 (23/5) | 1412.9 (7/4) |
| All Mining (1/1/80) | 688.7 | 692.1 | 690.7 | 684.7 | 727.6 (26/1) | 652.6 (7/4) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 327.90 | 326.33 | 320.93 | 319.47 | 327.90 (31/5) | 219.5 (2/1) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 6097.40 | 6106.67 | 6125.62 | 6118.82 | 6125.62 (29/5) | 5519.30 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 308.21 | 308.57 | 303.84 | 301.35 | 310.64 (16/5) | 275.49 (27/2) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 808.5 | 809.6 | 807.6 | 804.8 | 815.8 (18/4) | 723.3 (4/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 475.80 | 477.1 | 477.8 | 478.5 | 478.5 (26/4) | 417.9 (4/1) |
| Ind. Tendance (30/12/88) | 111.9 | 112.0 | 112.2 | 112.0 | 112.2 (29/5) | 97.5 (27/2) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 587.12 | 585.00 | 576.57 | 575.36 | 587.12 (31/5) | 535.78 (27/2) |
| Commerzbank (1/12/53) | 1743.7 | 1738.4 | 1713.0 | 1708.4 | 1743.7 (31/5) | 1595.7 (27/2) |
| DAX (30/12/87) | 1407.29 | 1403.17 | 1386.57 | 1375.94 | 1407.29 (31/5) | 1271.70 (23/2) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2743.87 | 2805.46 | 2845.01 | 2765.67 | 3309.64 (15/5) | 2706.69 (3/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 612.08 | 610.85 | 609.18 | 603.40 | 620.30 (24/4) | 577.49 (28/2) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 34266.75 | 34076.89 | 34160.83 | 34191.6 | 34266.75 (31/5) | 30183.79 (5/1) |
| Tokyo SE (Topix) (4/1/68) | 2537.14 | 2522.59 | 2531.27 | 2531.16 | 2544.60 (8/5) | 2366.91 (6/1) |
| **NETHERLANDS** | | | | | | |
| CBS Ttl. Rtn. Gen. (End 1983) | 243.4 | 245.5 | 245.1 | 243.6 | 245.5 (30/5) | 208.3 (3/1) |
| CBS All Shr (End 1983) | 189.6 | 191.3 | 190.9 | 189.8 | 191.3 (30/5) | 166.7 (1/3) |
| **NORWAY** | | | | | | |
| Oslo SE (2/1/83) | 638.63 | 648.68 | 651.74 | 651.28 | 665.61 (19/4) | 467.17 (2/1) |
| **SINGAPORE** | | | | | | |
| Straits Times Ind. (30/12/66) | 1279.24 | 1275.17 | 1265.49 | 1269.58 | 1310.02 (17/5) | 1030.69 (4/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | (c) | 1375.6 | 1379.0 | 1411.0 | 1639.5 (23/3) | 1291.0 (15/2) |
| JSE Industrial (28/9/78) | (c) | 2415.6 | 2420.0 | 2440.0 | 2581.0 (28/4) | 1961.0 (3/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 313.18 | 313.12 | 312.69 | 310.27 | 313.18 (31/5) | 268.61 (1/3) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | 4030.0 | 4053.9 | 4050.2 | 4042.65 | 4053.9 (30/5) | 3333.9 (3/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 671.3 | 671.8 | 664.8 | 665.3 | 686.5 (28/4) | 613.1 (3/1) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 499.0 | 502.0 | 507.3 | 519.0 (17/2) | 491.2 (28/3) |

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks
Wednesday 31 May 1989

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Toshiba | 67.2m | 1,440 | +60 | Maloo | 22.2m | 1,215 | +40 |
| Furukawa Electric | 48.9m | 1,340 | +90 | Citizen | 21.6m | 7,200 | +40 |
| Amada | 46.1m | 2,080 | +300 | Tokyo Steel | 21.1m | 4,620 | +490 |
| Yaskawa Electric | 31.9m | 1,315 | +60 | Kawasaki Steel | 20.5m | 1,040 | +20 |
| KHI | 30.8m | 1,180 | +20 | Sekisui House | 19.9m | 2,070 | +60 |

*2pm prices May 31*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **— A — A — A —** | | | | | | | | |
| 31½ | 21⅛ | AAR | .44 | 1.4 | 21 | 36 | 21⅛ | 31 | 31 | −⅛ |
| 10⅞ | 8⅞ | ACM 4 | 1.01 | 11. | | 226 | 9⅞ | 9 | 9⅞ | +⅛ |
| 11⅞ | 10¾ | ACMIn | 1.26a | 11. | | 252 | 11 | 10⅞ | 11 | |
| 10⅞ | 8½ | ACM 10 | n1.01 | 11. | | 187 | 9⅛ | 9 | 9 | −⅛ |
| 11½ | 10¼ | ACM Sc | 1.20 | 12. | | 442 | 10⅞ | 10¾ | 10⅞ | |
| 10 | 8⅞ | ACMSp | 1.01 | 11. | | 302 | 9 | 8⅞ | 8⅞ | |
| 17¾ | 10⅞ | AL Lab | .18 | .7 | 19 | 61 | 16½ | 16¼ | 16⅜ | |
| 4⅞ | 2⅞ | AMCA | .12e | 3.0 | 37 | 14 | 4 | 3⅞ | 4 | |
| 6⅞ | 3½ | AM Intl | | | | 1539 | 5⅞ | 5⅞ | 5⅞ | +⅛ |
| 25½ | 16¼ | AM In pf | 2 | 8.9 | | 53 | 22⅞ | 22⅝ | 22⅞ | |
| 65⅝ | 40 | AMR | | | 7 | 5286 | 61¼ | 61 | 61⅜ | −⅛ |
| 24⅞ | 23⅛ | ANR pf | 2.12 | 8.7 | | 40 | u24½ | 24½ | 24½ | +⅛ |
| 9½ | 3⅛ | ARX | | | | 105 | 4½ | 4¼ | 4¼ | −⅛ |
| 47 | 35¼ | ASA | 3a | 7.5 | | 118 | 40 | 39¾ | 40 | |
| 22⅞ | 15¼ | AVX | .24 | 1.1 | 16 | 149 | 21⅛ | 21⅛ | 21⅛ | −¼ |
| 65⅞ | 43½ | AbtLab | 1.40 | 2.4 | 17 | 1525 | 59½ | 58 | 59⅛ | +1½ |
| 18 | 15⅛ | Abitibi g | 1 | | | 46 | 16⅞ | 16⅞ | 16⅞ | −⅛ |
| 12 | 7½ | AcmeC | .40 | 3.5 | | 34 | 12½ | 10½ | 10⅞ | +½ |
| 8 | 6⅞ | AcmeE | .32 | 4.1 | 18 | 7 | 7⅞ | 7⅞ | 7⅞ | |
| 34⅛ | 20¼ | Acuson | | | 26 | 1108 | 34¼ | 32⅞ | 32⅞ | −1⅞ |
| 16⅞ | 16¼ | AdaEx | 1.62e | 12. | | 81 | 16½ | 15⅞ | 16½ | |
| 16⅞ | 7⅛ | AMD | | | | 6051 | 10½ | 10¼ | 10½ | +⅛ |
| 29½ | 20¾ | AMD pf | 3 | 9.0 | | 4 | 33½ | 20¾ | 30½ | +½ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |


Continued on Page 43

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# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | ⅛ | RvrOak | | | | 12 | 9-32 | ⅛ | ¼ | -1-32 |
| 14⅞ | 8⅝ | Robtsn | | | | 55 | 16⅞ | 16⅞ | 10⅞ | -⅛ |
| 26⅛ | 21⅞ | vjRobins | | | 17 | 4 | 26⅞ | 26⅞ | 26⅞ | -⅛ |
| 19⅛ | 10½ | RochG | 1.60 | 7.3 | 9 | 69 | 19⅞ | 10⅞ | 12 | -⅛ |
| 69⅝ | 44½ | RochTl | 2.84 | 4.1 | 16 | 45 | 69⅞ | 68⅝ | 69⅛ | +⅛ |
| 20⅛ | 18⅛ | RckCtr | 1.84 | 9.7 | 17 | 298 | 19 | 18⅞ | 18⅞ | -⅛ |
| 23½ | 18⅞ | Rockwl | .76 | 3.5 | 7 | 1646 | 22⅛ | 22⅛ | 22⅛ | |
| 9⅝ | 4⅞ | RodRen | | | | 14 | 5⅞ | 5⅞ | 5⅞ | +⅛ |
| 37½ | 30 | RohHaas | 7.12 | 3.2 | 10 | 886 | 34⅞ | 34½ | 34⅛ | +⅛ |
| 37⅞ | 25⅛ | Rohr | | | 10 | 1828 | 30⅞ | 30½ | 30⅞ | -⅛ |
| 17⅞ | 9 | RollnE s | .08 | .7 | 35 | 17749 | 12⅛ | 11½ | 12⅛ | +⅞ |
| 19⅝ | 15⅛ | Rollins | .54 | 2.8 | 19 | 35 | 19⅝ | 19⅛ | 19⅝ | +⅛ |
| 45⅞ | 32 | Rorer | .80 | 2.0 | 20 | 2012 | 40⅝ | 39⅞ | 39 | -⅞ |
| 6⅞ | 4½ | Rowan | | | | 1046 | 6⅛ | 8 | 8⅞ | |
| 36½ | 52⅛ | RoylD | 3.32e | 5.3 | 8 | 4586 | 62½ | 62 | 62½ | +⅛ |
| 10 | 6⅞ | Roylnt | .20e | 1.4 | 17 | 61 | 14⅞ | 14⅛ | 14⅛ | |
| 9½ | 7⅞ | Royce | .51e | 5.4 | | 61 | 9½ | 9⅞ | 9⅛ | |
| 32 | 21¼ | Rubmd | .44 | 7.4 | 22 | 687 | 30⅞ | 30⅛ | 30⅞ | +⅞ |
| 23⅛ | 16⅞ | RussBr | .40 | 2.0 | 16 | 42 | 19⅞ | 19⅞ | 19⅞ | |
| 15⅛ | 12¼ | RussTg | .50 | 4.0 | 42 | 10 | 12½ | 12⅞ | 12½ | |
| 21⅞ | 14⅝ | Russell | .28 | 1.3 | 10 | 177 | 21⅝ | 21 | 21⅝ | +⅝ |
| 29⅛ | 22⅝ | Ryder | .60 | 2.5 | 21 | 1241 | 24⅛ | 23⅞ | 24⅛ | +⅝ |
| 20 | 19⅝ | Rykoff s | .60 | 2.2 | 10 | 30 | 27⅛ | 27 | 27 | -⅞ |
| 23½ | 14⅞ | Ryland | .60 | 2.8 | 7 | 225 | 21⅛ | 20⅞ | 21⅛ | +⅛ |
| 13½ | 8⅞ | Rymer | | | | 10 | 12½ | 12½ | 12½ | |
| 10⅛ | 7⅛ | Rymr pf | 1.17 | 12. | | 76 | 9⅞ | 9⅞ | 9⅞ | +⅛ |
| | | — S-S-S — | | | | | | | | |
| 30⅛ | 30⅛ | SCEcp | 2.48 | 7.2 | 11 | 1662 | 34⅝ | 34⅞ | 34⅝ | +⅛ |
| 9½ | 6½ | SCOR U | .10e | 1.1 | 6 | 19 | 8⅞ | 8⅞ | 8⅞ | |
| 9⅛ | 7⅞ | SL Ind | .16 | 2.8 | | 8 | 8⅛ | 6⅛ | 6⅞ | -⅛ |
| 60⅛ | 31⅞ | SPSTec | 7.20 | 2.1 | 24 | 9 | 57⅞ | 57⅞ | 57⅞ | -⅞ |
| 33⅞ | 22⅛ | SPX Cp | 1.20a | 4.2 | 8 | 1285 | 28⅞ | 28⅛ | 28⅞ | |
| 36⅞ | 10 | SSMC | | | | 710 | 27⅞ | 27⅛ | 27⅞ | -⅛ |
| 22⅞ | 13⅞ | Saatchi | 1.02e | 6.6 | 6 | 888 | 15⅞ | 15⅛ | 15⅞ | +⅛ |
| 13⅞ | 11⅞ | SabnR | 1.30e | 10. | 10 | 61 | 16⅞ | 12⅞ | 16⅞ | +⅛ |
| 10 | 13⅞ | SigdSc | | | 15 | 17 | 18⅞ | 18⅞ | 18⅛ | -⅞ |
| 32⅞ | 21⅞ | SafKln | .36 | 1.7 | 24 | 126 | 61½ | 31⅞ | 31½ | +⅛ |
| 9⅞ | 8⅛ | SahCas | 1.72 | 13. | | 46 | 8⅞ | 8⅞ | 8⅞ | |
| ... | | | | | | | | | | |
| 30⅛ | 10⅛ | Zayre | .40a | 1.4 | 182 | 1335 | 28⅞ | 28⅛ | 28⅞ | +⅛ |
| 17 | 18½ | Zayre wt | | | | 45 | 18½ | d16⅛ | 18½ | |
| 15⅛ | 10½ | Zemex | .40 | 3.2 | 133 | 0 | 18 | 11⅛ | 18 | +⅛ |
| 30 | 16½ | ZenithE | | | 1011 | 3455 | 20⅞ | 20⅞ | 20⅞ | +⅞ |
| 10⅛ | 8⅞ | Zenlac | 1.28 | 14. | | 34 | 9⅛ | 9⅛ | 9⅛ | +⅛ |
| 2⅞ | 1 | vjZenLb | | | | 163 | 1⅞ | 1⅛ | 1⅛ | |
| 21⅞ | 16 | ZenNt | .84 | 4.6 | 9 | 68 | 18⅞ | 18⅞ | 18⅞ | -⅝ |
| 19⅞ | 13⅞ | Zero | .44 | 2.3 | 15 | 145 | 19⅞ | 18⅞ | 18⅞ | +⅞ |
| 34⅞ | 19⅞ | Zurn | .88 | 2.0 | 17 | 205 | 34 | 22⅞ | 34 | +⅝ |
| 11⅛ | 16 | Zweig | 1.07e | 8.6 | | 153 | 11 | 16⅛ | 16⅛ | |
| 19⅞ | 8⅞ | Zwelg a | .80 | 10. | | 421 | 9⅞ | 9⅞ | 9½ | +⅛ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

2pm prices May 31

# OVER-THE-COUNTER

Nasdaq national market, 2pm prices May 31

AMERICA

# Stronger dollar helps Dow advance

**Wall Street**

AFTER Tuesday's post-holiday bout of programmed selling, the equity market traded quietly yesterday morning but managed to recoup some of those losses, *writes Janet Bush in New York*.

At 2 pm, the Dow Jones Industrial Average was quoted 10.48 points higher at 2,496.03 on moderate volume of 100m shares. The NASDAQ Composite Index of over-the-counter stocks was up 0.74 at 444.95.

In the absence of any other significant developments, both stock and bond markets are tending to track the dollar closely. Both markets were modestly lower yesterday morning as the US currency weakened to its session lows and both received a modest boost when it started moving somewhat higher again.

At midsession in New York, the dollar was quoted at DM1.9755 compared with its earlier low of DM1.9705.

There were two economic releases yesterday of interest. US leading indicators for April rose 0.8 per cent, exactly as expected. Nevertheless, they provided some confirmation that the economy has bounced back from its more modest growth in the first three months of the year.

US factory orders for April rose 2.7 per cent compared with the consensus forecast of a 1.7 per cent rise. Again, these figures confirmed that there is little justification on domestic economic grounds for a much-speculated upon easing of monetary policy.

The rest of the week offers some major hurdles for financial markets. The Bundesbank's council meets today amid speculation that West Germany will raise interest rates again to support the D-Mark.

At the same time, there is discussion that the Fed will move to ease policy, in a co-ordinated effort finally to halt the dollar's rally.

While nobody seems to believe in this scenario, there has been enough talk about it to make markets wait it out cautiously until today is over. Then, tomorrow, May employment figures are released.

The decline of 18.22 points on Tuesday was mostly due to programme trades related to stock index arbitrage. Secondary market measurements had fallen but the percentage declines were much smaller. The fall had little fundamental impact on the mood of the market as a whole as it was recognised that arbitrage was the culprit.

There was little corporate news to liven things up. Among featured stocks, Motorola rose $1⅞ to $56⅝. The issue benefited from news that the company has announced joint product marketing and development agreements with Toshiba and Schlumberger and also from the fact that a Merrill Lynch analyst was reported to have raised his earnings estimates.

NWA, the holding company for Northwest Airlines, fell $1⅞ to $105⅞. The company said it was reviewing bid proposals put in on Tuesday and other alternatives but said that there was no assurance that any transaction would result.

Time slumped $6⅛ to $126⅞, reversing some of its recent gains on speculative buying based on rumours that a hostile suitor may bid for the company in competition with its agreed merger with Warner Communications. Warner added $1⅛ to $51⅞.

Philip Morris jumped $1⅞ to $139⅞ after reports that the company has begun testing a nicotine-free cigarette.

**Canada**

SMALL early gains were maintained by midday in Toronto where trading was quiet.

The composite index gained 3.8 to 3,894.0 with advancing stocks just outnumbering declining ones by 232 to 223 on volume of 11m.

EUROPE

# Mixed view on interest rate threat

THE IMPENDING Bundesbank council meeting today produced nervous anticipation in some bourses yesterday, but the possibility of higher interest rates was shrugged off by Frankfurt and Paris, *writes Our Markets Staff*.

FRANKFURT had another very active day, with share prices moving to new 1989 peaks for the second day running in spite of profit-taking at midsession.

A rash of good corporate news and optimism that interest rates would remain unchanged helped fuel gains, although high rates on the latest securities repurchase allocation sounded a warning note.

The FAZ index climbed 2.12 to a year's high of 587.12 and the DAX closed 4.12 better at 1,407.29 but off its session peak of 1,414.16. Volume reached a strong DM5.93bn worth of German shares but was well below Tuesday's huge DM7.6bn.

Although foreigners were present, most of the buying this week appeared to be by domestic institutions, said one salesman.

BMW starred with a gain of DM7.50 to DM541.50 after saying that the first four months of 1989 had been phenomenal. The company hopes to produce over 500,000 cars this year, compared with 484,121 in 1988.

Construction stock Holzmann reported a 31 per cent rise in group net profit for 1988 and gained DM9 to DM881.

PARIS had a less exciting day than on Tuesday. "People were sitting back to pause for breath," explained one analyst. The expiry of options gave some technical strength to the market in the afternoon, however, and speculative stocks contributed to a late upturn.

The OMF 50 index edged 0.29 higher to 495.79 and the CAC 40 rose 6.78 to 1,729.65. The opening CAC General index eased 1.3 to 475.8. Volume was said to be moderate but below the previous day's FFr1.99bn.

LVMH, the luxury goods group, declined FFr82 to FFr4,205 after the previous day's gain. An extra snippet of news was that the votes of Mr Bernard Arnault, the group's chairman, that were blocked on Tuesday by a Paris commercial court might in certain circumstances be able to be exercised at the shareholders' meeting on June 9.

CCF surged FFr7, or 3.5 per cent, to FFr203.50 in busy trading. The bank said it knew of no reason for the gain but an analyst said there was a "bid story lurking about." There is talk the company may change its shareholding structure.

ZURICH suffered a mild bout of interest rate worries, which trimmed earlier gains. The Crédit Suisse index added 3.8 to 553.1. Crédit Suisse followed the other leading banks by announcing a rise in its mortgage rate, which was regarded as a sign that domestic interest rates may be raised.

Baloise-Holding, the insurance group, picked up SFr20 to SFr2,770. It predicted a rise in gross premium income of 20 per cent this year and announced a one-for-four rights issue.

AMSTERDAM was more nervous than Frankfurt about prospects for higher interest rates from the Bundesbank and the market ended slightly weaker, cautious about a lower dollar and strong US factory orders for April.

The CBS tendency index shed 0.4 to 179.4 in thin trading worth Fl 495m. Royal Dutch fell Fl 2.60 to Fl 135.80.

Insurer NatNed disappointed some bullish expectations when it came out with a nearly 20 per cent increase in first quarter profits and the share price lost 60 cents to Fl 61.40.

In grey market trading, DAF added 10 cents to Fl 56.50 before today's close of subscriptions to the flotation issue.

MILAN activity concentrated on Fiat and Cir. On the economic front, there was news that inflation rose 6.8 per cent in May compared with the same month last year. The market seemed unconcerned, as a rise in inflation had been expected, said one analyst. The Comit index gained 1.23 to 612.08.

Fiat, which confirmed its share buy-back plan on Tuesday, advanced L135 to L9,499. The car maker also reported higher group earnings the previous day.

Cir, the holding company of entrepreneur Mr Carlo De Benedetti, gained L20 to L5,765. Mondadori, which is controlled by Cir, rose L510 to L29,500.

Saffa, the cardboard maker, gained L20 to L9,820 before announcing a merger with Sarrio of Spain.

MADRID edged to another year's high although the influx of money some analysts had expected after Tuesday's bourse strike failed to materialise and volume was described as low. The general index gained 0.03 to 313.18.

Paper producer Sarrio eased 8.80 points to 401.20 per cent of par on news of its planned merger with Cartiere Saffa of Italy, amid speculation it may need to raise capital.

Banesto, said by an independent analyst report to be on the road to recovery, rose 13 to 1,020.

STOCKHOLM blue chips suffered as Saab fell sharply in very heavy trade amid negative reports about its car division performance. After erratic market movements towards the end of the session, Saab free B shares closed SKr18 down at SKr240.

The Affärsvärlden index fell 4.8 to 1,175.5 in total turnover worth SKr422m.

BRUSSELS ended mixed after a moderate session, with investors cautious about a possible move on West German interest rates.

OSLO edged lower across the board as profit-taking followed recent gains. The all-share index dropped 7.37 points to 496.20 in trading worth a total of NKr231m.

COPENHAGEN fell back after Tuesday's gains in response to a steep decline in local bond prices, triggered by fears of a West German interest rate rise.

● South Africa was closed for Republic Day.

# End to dispute fuels rocketing Montana

By Judy Dempsey in Vienna

A HIGHLY successful business year for 1988, combined with an agreement to end a seven-year-old court case, has sent the share price of one of Austria's fastest expanding companies sharply higher.

Montana, the biotechnology and financial services group, rose Sch2,600 to Sch50,000 when trading resumed on Tuesday after being suspended for three days for the group to inform its shareholders of the civil law suit which Montana had filed against Magnesia, the Swiss-based and partly French-owned bio-chemicals company. It closed yesterday at Sch49,300.

The legal proceedings began back in 1982 after Montana had bought and paid for 51 per cent of Veitscher Magnesitwerke, an Austrian producer of heat resistant bricks, but received neither the shares nor the dividend coupons from Magnesia, one of the joint owners.

Following a long drawn-out dispute, in which Montana and Magnesia last week agreed partially to end the civil law suit, Montana acquired Veitscher Magnesitwerke.

While this solution has undoubtedly played a significant role in boosting Montana's performance on the bourse, the group's own results for 1988 have confirmed its continuing expansion and profitability.

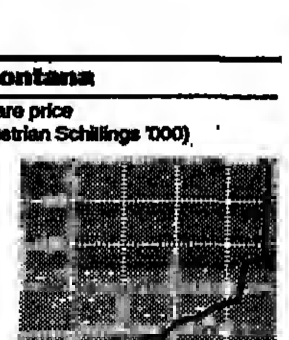
Group turnover increased from Sch1.5bn to Sch2.7bn and turnover at Jungbunzlauer, its highly successful subsidiary which is one of the three leading citric acid producers in the world, rose from Sch815m to Sch1,005m. Jungbunzlauer's shares, which closed yesterday at Sch16,240, have almost doubled over the past year.

But it is the group's future plans which seem to have been making Montana's shares attractive to the foreign investor. Last year, Jungbunzlauer acquired the organic acids division of Benckiser, a West German-based company, and then acquired an industrial site near Strasbourg in France earlier this year.

Mr Karl Kahane, Montana chairman, said this was in line with the group's plans to internationalise the organic acid side of the business in European Community countries, which had become more urgent with the pending internal market.

**Montana**

Share price (Austrian Schillings '000)




# Foreign turnover in London surges

By Hilary de Boerr

TURNOVER in the most popular foreign equities traded in London has increased substantially in recent months, according to statistics from the International Stock Exchange.

The average value of business in London in the top 20 most heavily traded overseas stocks has risen by 40 per cent in the first four months of this year compared with the final four months of last year – from an average monthly figure of £82.8m to £115.2m.

The most spectacular change has been at the bottom end of the top 20 table, where activity has more than doubled in value – from an average monthly figure of £30.3m in the last four months of 1988 to £63.6m.

Turnover in the most heavily traded foreign stock – which has recently been Royal Dutch – shows no particular trend, ranging between a high of £293m in March and a low of £204m last November. Names appearing regularly in the three most active slots include Siemens, LVMH and Deutsche Bank.

One interesting development is the apparent ousting of Japanese stocks from the top 20 list. Over the first four months of this year only one Japanese stock has reached the top 20, compared with five such appearances in the previous four months and 20 in the final six months of last year.

The ISE cautions that it is difficult to ascertain the full picture from the statistics as they cover bargains by market makers only and do not include agency dealings. The data used to calculate the 20 most active overseas issues is provided daily by market makers who give aggregate volume for trading in about 300 individual stocks, in which they make binding prices.

Full details of each individual transaction are not currently disclosed. That will change next month when the new Sequal system starts operating. Sequal is a computer system allowing the centralised matching of buy and sell orders in foreign equities, and market makers will have to report details of individual bargains.

Seaq International carries real-time share prices for 720 overseas stocks from 19 countries, including one Turkish stock, the Ottoman Bank. The average size of a bargain is £120,000.

ASIA PACIFIC

# Nikkei hits new high in busy trade

**Tokyo**

THE MARKET took yesterday's long-expected increase in Japan's official discount rate in its stride, and later buying by investment trusts supported rising share prices. The Nikkei average reached a new high on significantly improved turnover, *writes Michiyo Nakamoto in Tokyo*.

Initially, share prices moved up slowly in listless trading, as investors kept a close watch on the yen's performance, but later stability in the currency market helped support a much-awaited rally, which lifted the Nikkei average up 189.86 to close at a peak of 34,266.75. The day's high was 34,298.71 and the low 34,004.90.

Advances outnumbered declines by 598 to 326 while 167 issues were unchanged. Turnover showed a marked improvement to 1.15bn shares against 690.41m traded on Tuesday.

The Topix index rose 14.55 to 2,537.14 and, in London trading, the ISE/Nikkei index added 2.17 to 2,030.85.

The 0.75 percentage point rise in the official discount rate, which was eventually put into effect yesterday by the Bank of Japan, had little impact on the market, which had long ago taken a moderate increase into account.

The market, however, continued to be dominated by currency concerns as the increase in the discount rate has not been very effective at curbing the yen's downswing. Depending on the fate of the yen, another interest rate increase could be expected.

In later trading, the relative stability on the currency front encouraged investors to come back into the market and turnover breached the 1bn level for the first time since May 9. Buying by investment trust funds and interest in special situation stocks were the main sources of strength.

The uncertainty about interest rates and the yen focused interest on companies reporting high earnings and with low price to earnings ratios.

Interest in such issues, however, tended to be rather short-lived. Many stocks bought on good earnings stories soon succumbed to quick profit-taking, only to be bought again in a dizzying round of musical chairs.

Toshiba has been one such issue, favoured for its spectacular earnings results for the business year ended March 1989. Its recurring profits more than doubled those of the previous year. It is also an issue that has been pushed by dealers eager to see volume pick up and interest shift to large-capital issues. Toshiba, which fell on Monday and Tuesday, advanced Y60 to Y1,440 and was the most active stock with 67.2m shares traded.

Furukawa Electric, a leading electric wire and cable company, was the second busiest issue, with 49.9m shares, and surged Y90 to Y1,340. The company was popular for its strong business performance, as well as redevelopment projects involving a former plant site in Yokohama, west of Tokyo.

Amada, a machine tool maker, soared Y300 to Y2,060 on volume of 45.1m shares, which placed it third on the most actives list. The company rose on the strength of its good earnings prospects and on interest in issues related to capital investment. Amada is expected to hit a record recurring profit of Y22bn for the year ending March, 1990, which shows a spectacular improvement over the past five years.

Tokyo Steel, another company reporting good results, jumped Y480 to a new high of Y4,820. The issue was also being selected by dealers who have been pinning their hopes for a major rally by large volume steels on smaller issues.

Interest in capital investment-related issues supported a strong recovery in Osaka. The OSE average posted a strong gain of 118.72 on volume of 131m shares against only 40.4m traded on Tuesday. Mori Seiki, a maker of machine tools, surged Y280 to Y3,180.

**Roundup**

MOST Asian Pacific markets declined, with events in China continuing to depress Hong Kong and domestic economic concerns preoccupying Australia.

HONG KONG continued to drop as investors sold out on worries about the political turmoil in China. The Hang Seng index fell 61.69, or 2 per cent, to 2,743.87 but turnover was a thin HK$921m, down from Tuesday's HK$1.14bn and only a third of the level last week.

The index has now plummeted by 16 per cent since the market turbulence began on May 19.

Among the worst hit stocks were Hongkong Land, down 20 cents at HK$9.20, and Cheung Kong and Hutchison, which each shed 30 cents to HK$9 and HK$9.50 respectively.

AUSTRALIA was beset by economic fears and share prices fell. The foreign debt figure for the March quarter of A$128.6bn on a gross basis, together with worries about interest rates, triggered the decline.

The All Ordinaries index lost 12.6 to 1,530.0 in turnover of 82m shares worth A$166m.

Blue chips led the way lower, with BHP off 32 cents, or 3.6 per cent, at A$8.34, News Corp down 30 cents at A$14.30 and CRA losing 20 cents to A$8.96.

Pan Ocean Resources, which is being taken over by mining company Australian Development (ADV), fell 5 cents to 70 cents. ADV lost 5 cents to A$1.55. Pan Australian Mining, a subsidiary of Pan Ocean, shed 5 cents to A$4.55.

SINGAPORE fell slightly overall, although some individual stocks performed well, helping the Straits Times industrial index edge 1.07 higher to 1,279.24. Volume was quiet at 48m shares.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | TUESDAY MAY 30 1989 | | | | | | MONDAY MAY 29 1989 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Day's change % local currency | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1989 High | 1989 Low | Year ago (approx) |
| Australia (38) | 131.83 | −1.1 | 125.41 | 117.45 | +0.5 | 4.91 | 133.32 | 124.39 | 116.82 | 157.12 | 128.28 | 143.10 |
| Austria (16) | 116.22 | −2.2 | 110.56 | 121.41 | +0.0 | 2.18 | 118.61 | 110.66 | 121.36 | 124.16 | 92.84 | 86.00 |
| Belgium (63) | 126.97 | −2.4 | 120.78 | 132.13 | −0.2 | 4.15 | 130.14 | 121.42 | 132.38 | 137.10 | 126.33 | 119.93 |
| Canada (125) | 136.16 | −0.8 | 129.56 | 119.33 | +0.1 | 3.32 | 136.87 | 127.62 | 119.25 | 138.05 | 124.67 | 118.87 |
| Denmark (38) | 172.58 | −0.3 | 164.17 | 183.96 | +1.6 | 1.83 | 173.07 | 161.48 | 161.13 | 181.03 | 165.35 | 126.91 |
| Finland (26) | 143.42 | −0.7 | 136.43 | 134.21 | +0.8 | 1.56 | 144.49 | 134.81 | 133.15 | 159.15 | 125.81 | 133.94 |
| France (128) | 115.78 | −1.1 | 110.14 | 123.64 | +0.0 | 3.07 | 117.06 | 109.22 | 123.67 | 122.79 | 112.57 | 94.19 |
| West Germany (100) | 82.17 | +0.1 | 78.17 | 85.85 | +1.1 | 2.36 | 82.13 | 76.63 | 84.93 | 90.40 | 79.56 | 75.47 |
| Hong Kong (49) | 118.18 | −1.0 | 112.43 | 117.99 | −1.1 | 4.58 | 119.44 | 111.44 | 119.29 | 140.33 | 111.80 | 99.33 |
| Ireland (17) | 137.25 | −0.7 | 130.56 | 145.41 | +0.4 | 2.90 | 138.17 | 128.92 | 144.80 | 151.36 | 125.00 | 135.14 |
| Italy (97) | 76.39 | −0.7 | 72.67 | 82.84 | +0.4 | 2.57 | 76.92 | 71.76 | 82.54 | 86.88 | 74.97 | 67.86 |
| Japan (455) | 177.66 | −1.8 | 169.00 | 161.04 | −0.5 | 0.48 | 180.99 | 168.87 | 161.77 | 200.11 | 177.66 | 167.82 |
| Malaysia (36) | 179.30 | +0.1 | 170.57 | 187.45 | +1.1 | 2.56 | 179.06 | 167.07 | 185.48 | 184.26 | 149.35 | 167.73 |
| Mexico (13) | 224.01 | −0.3 | 213.10 | 605.82 | +0.0 | 0.83 | 224.69 | 209.65 | 605.69 | 224.69 | 153.32 | 154.40 |
| Netherland (42) | 114.34 | −0.9 | 108.77 | 118.20 | +0.2 | 4.36 | 115.36 | 107.64 | 117.94 | 122.22 | 110.63 | 102.60 |
| New Zealand (24) | 64.94 | −1.1 | 61.78 | 59.16 | +1.0 | 6.23 | 65.69 | 61.30 | 58.59 | 76.02 | 64.94 | 80.14 |
| Norway (26) | 177.75 | −2.2 | 169.09 | 174.49 | −0.8 | 1.52 | 181.75 | 169.58 | 175.46 | 198.39 | 139.92 | 118.17 |
| Singapore (26) | 158.08 | +0.6 | 150.38 | 142.71 | +0.9 | 1.94 | 157.13 | 146.61 | 141.38 | 160.35 | 124.57 | 113.48 |
| South Africa (60) | 130.46 | −0.5 | 124.10 | 119.07 | −0.1 | 4.44 | 131.14 | 122.36 | 119.16 | 144.86 | 115.35 | 129.96 |
| Spain (43) | 144.51 | −3.6 | 137.47 | 141.06 | −0.1 | 3.55 | 149.98 | 139.93 | 141.17 | 156.17 | 143.14 | 152.61 |
| Sweden (35) | 158.01 | −1.4 | 150.31 | 157.77 | −0.2 | 2.18 | 160.23 | 149.50 | 158.09 | 162.00 | 138.45 | 124.71 |
| Switzerland (57) | 69.57 | +0.1 | 66.19 | 75.70 | +1.2 | 2.48 | 69.52 | 64.87 | 74.82 | 79.76 | 67.81 | 77.25 |
| United Kingdom (314) | 137.96 | −2.4 | 131.26 | 131.26 | −0.5 | 4.38 | 141.35 | 131.88 | 131.88 | 153.33 | 134.53 | 136.44 |
| USA (558) | 130.11 | −0.7 | 123.77 | 130.11 | −0.7 | 3.44 | 131.09 | 122.31 | 131.09 | 131.21 | 112.13 | 106.70 |
| Europe (1005) | 113.32 | −1.6 | 107.80 | 113.69 | +0.0 | 3.58 | 115.14 | 107.43 | 113.65 | 121.70 | 112.65 | 107.02 |
| Nordic (125) | 150.74 | −1.0 | 143.40 | 147.95 | +0.6 | 1.83 | 152.31 | 142.11 | 147.27 | 156.61 | 167.95 | 117.12 |
| Pacific Basin (678) | 173.45 | −1.6 | 165.00 | 157.48 | −0.4 | 0.71 | 176.61 | 164.79 | 158.15 | 194.72 | 173.45 | 164.17 |
| Euro – Pacific (1683) | 149.42 | −1.7 | 142.14 | 140.01 | −0.3 | 1.59 | 152.05 | 141.86 | 140.40 | 164.22 | 149.40 | 141.32 |
| North America (683) | 130.38 | −0.7 | 124.03 | 129.44 | −0.7 | 3.43 | 131.33 | 122.54 | 130.35 | 131.50 | 112.79 | 107.34 |
| Europe Ex. UK (691) | 97.88 | −0.9 | 93.11 | 102.61 | +0.4 | 2.94 | 98.81 | 92.19 | 102.36 | 105.29 | 98.30 | 88.79 |
| Pacific Ex. Japan (223) | 122.84 | −0.8 | 116.86 | 112.95 | +0.1 | 4.56 | 124.06 | 115.77 | 112.86 | 137.65 | 122.73 | 120.22 |
| World Ex. US (1881) | 148.82 | −1.7 | 141.57 | 139.28 | −0.3 | 1.67 | 151.35 | 141.21 | 139.88 | 162.77 | 148.80 | 140.44 |
| World Ex. UK (2125) | 141.46 | −1.3 | 134.37 | 136.83 | −0.4 | 2.05 | 143.29 | 133.69 | 137.21 | 146.04 | 136.06 | 126.53 |
| World Ex. So. Af. (2379) | 141.20 | −1.4 | 134.33 | 136.23 | −0.4 | 2.25 | 143.17 | 133.58 | 136.82 | 146.65 | 136.82 | 127.38 |
| World Ex. Japan (1984) | 123.81 | −1.0 | 117.78 | 123.30 | −0.4 | 3.54 | 125.09 | 116.72 | 124.81 | 126.02 | 114.51 | 108.01 |
| The World Index (2439) | 141.14 | −1.4 | 134.26 | 136.12 | −0.4 | 2.26 | 143.09 | 133.51 | 136.70 | 146.51 | 136.93 | 127.40 |


Latest prices were unavailable for this edition.
Spanish prices were not fully updated on May 30 due to problems at the exchange.